



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re application of:

Bruno COUILLARD

Appl. No. 09/735,941

Confirmation No.

Filed: December 13, 2000

For: METHOD AND SYSTEM FOR TIME  
SYNCHRONIZATION

Art Unit: 2664

Examiner: John Shew

Atty. Docket No. 35997-215050  
(Formerly 47-06 US)

Customer No.

26694

PATENT TRADEMARK OFFICE

**NOTICE OF CHANGE OF ADDRESS AND ATTORNEY DOCKET NUMBER**

Honorable Commissioner for Patents  
P. O. Box 1450  
Alexandria, VA 22313-1450

Sir:

To the extent the following is not already of record in the file for the above-identified application, please note changes in the firm name, address, telephone number, and telefax number of all counsel of record in the file:

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***575 7<sup>th</sup> St., N.W.***  
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Please also note the following address for receipt of all correspondence from the U.S. Patent and Trademark Office:

**26694**  
PATENT TRADEMARK OFFICE  
***VENABLE LLP***  
***Post Office Box 34385***  
***Washington, DC 20043-9998***


BEST AVAILABLE COPY

*Attorney Number: 35997-215050*  
*(Formerly 47-06 US)*  
*Application No.: 09/735,941*

Please also note that the Attorney Docket Number has been changed from 47-06 US to 35997-215050. It is respectfully requested that the Patent and Trademark Office's file wrapper and appropriate databases be updated accordingly.

Respectfully submitted,

Date: June 7, 2005

  
\_\_\_\_\_  
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PTO/SB/82 (09-04)

Approved for use through 11/30/2005. OMB 0651-0036

U.S. Patent and Trademark Office: U.S. DEPARTMENT OF COMMERCE

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|  |                        |                                  |
|--|------------------------|----------------------------------|
| <b>REVOCATION OF POWER OF ATTORNEY WITH<br/>NEW POWER OF ATTORNEY<br/>AND<br/>CHANGE OF CORRESPONDENCE ADDRESS</b> | Application Number     | 09/735,941                       |
|  | Filing Date            | December 13, 2000                |
|  | First Named Inventor   | Bruno COUILLARD                  |
|  | Art Unit               | 2664                             |
|  | Examiner Name          | John Shew                        |
|  | Attorney Docket Number | 35997-215050 (formerly 47-06 US) |

I hereby revoke all previous powers of attorney given in the above-identified application.

☐ A Power of Attorney is submitted herewith.

OR

☒ I hereby appoint the practitioners associated with the Customer Number: ☒ Please change the correspondence address for the above-identified application to:☒ The address associated with  
Customer Number: 

OR

☐ Firm or  
Individual Name

Address

City

Country

State

Zip

Telephone

Fax

I am the:

☐ Applicant/Inventor.☒ Assignee of record of the entire interest. See 37 CFR 3.71.  
Statement under 37 CFR 3.73(b) is enclosed. (Form PTO/SB/96)

SIGNATURE of Applicant or Assignee of Record

Signature

Name

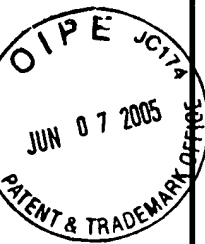
Date

Telephone

NOTE: Signatures of all the inventors or assignees of record of the entire interest or their representative(s) are required. Submit multiple forms if more than one signature is required, see below.

☒ Total of 1 forms are submitted.

654253v1



**STATEMENT UNDER 37 CFR 3.73(b)**

Applicant/Patent Owner: SafeNet, Inc.

Application No./Patent No.: 09/735,941

Filed/Issue Date: December 13, 2000

Entitled: METHOD AND SYSTEM FOR TIME SYNCHRONIZATION

SafeNet, Inc., a corporation

(Name of Assignee)

(Type of Assignee, e.g., corporation, partnership, university, government agency, etc.)

states that it is:

1. ☒ the assignee of the entire right, title, and interest; or
2. ☐ an assignee of an undivided part interest

in the patent application/patent identified above by virtue of either:

A. ☐ An assignment from the inventor(s) of the patent application/patent identified above. The assignment was recorded in the Patent and Trademark Office at Reel \_\_\_\_\_, Frame \_\_\_\_\_, or for which a copy thereof is attached.

OR

B. ☒ A chain of title from the inventor(s), of the patent application/patent identified above, to the current assignee as shown below:

1. Assignment from the inventor to Chrysalis-ITS, Inc.

The document was recorded in the United States Patent and Trademark Office at  
Reel 011372, Frame 0491, or for which a copy thereof is attached.

2. Amalgamation of Chrysalis-ITS, Inc. with Rainbow Technologies, Inc. for which a copy thereof is attached.

3. From: Rainbow Technologies, Inc. To: Ravens Acquisition, Corp.

The document was recorded in the United States Patent and Trademark Office at  
Reel \_\_\_\_\_, Frame \_\_\_\_\_, or for which a copy thereof is attached.

4. From: Ravens Acquisitions, Corp. To: SafeNet, Inc.

The document was recorded in the United States Patent and Trademark Office at  
Reel \_\_\_\_\_, Frame \_\_\_\_\_, or for which a copy thereof is attached.

☐ Additional documents in the chain of title are listed on a supplemental sheet.

☒ Copies of assignments or other documents in the chain of title are attached.

**[NOTE:** A separate copy (i.e., the original assignment document or a true copy of the original document) must be submitted to Assignment Division in accordance with 37 CFR Part 3, if the assignment is to be recorded in the records of the USPTO. See MPEP 302.8]

The undersigned (whose title is supplied below) is empowered to sign this statement on behalf of the assignee.

June 7, 2005

Date

Edward W. Yee

Signature

Edward W. Yee #47,274

Typed or printed name

Representative of Assignee

Title

Burden Hour Statement: This form is estimated to take 0.2 hours to complete. Time will vary depending upon the needs of the individual case. Any comments on the amount of time you are required to complete this form should be sent to the Chief Information Officer, U.S. Patent and Trademark Office, P. O. Box 1450, Alexandria, VA 22313-1450. DO NOT SEND FEES OR COMPLETED FORMS TO THIS ADDRESS. SEND TO: Commissioner for Patents, P. O. Box 1450, Alexandria, VA 22313-1450.

PC Docs No. 2/654566

**ASSIGNMENT OF INVENTION  
UNIVERSAL**

WHEREAS, I/We **Bruno Couillard** whose full post office address is 156 de Roquebrune, Gatineau, Quebec, Canada, J8T 7Y have invented certain improvements in and described in United States Patent Application entitled Method and System for Time Synchronization filed herewith; and,

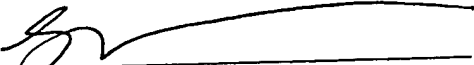
WHEREAS, **Chrysalis-ITS Inc** (hereinafter referred to as the assignee), whose full post office address is 1688 Woodward Drive, Ottawa, Ontario, Canada K2C 3R7 is desirous of acquiring the entire right, title and interest in and to said invention or inventions and in and to any and all patents to be obtained therefor;


NOW, THEREFORE, in consideration of One Dollar (\$1.00) and other valuable consideration, the receipt of which is hereby acknowledged, I/we have and by these presents do hereby sell, assign and transfer unto said assignee, its successors and assigns, the entire right, title and interest in and to said invention or inventions, as described in the aforesaid application, in any form or embodiment thereof, and in and to the aforesaid application, and in and to any applications filed in any foreign country based thereon, including the right to file said foreign applications under the provisions of the International Convention; also the entire right, title and interest in and to any and all patents, reissues or extensions thereof to be obtained in this or any foreign country upon said invention or inventions, and any divisional, continuation, substitute application(s) or supplementary disclosure(s) which may be filed upon said invention or inventions, in any country; and I/we hereby authorize and request the issuing authority to issue any and all patents on said application or applications to said assignee.

I/we further agree without any payment by said assignee other than expenses incurred by the undersigned, to communicate to said assignee, its representatives or agents, any facts relating to said invention or inventions, including evidence for interference purposes or for other proceedings, whenever requested; testify in any interference or other proceedings, whenever requested; and execute and deliver, on request, all lawful papers required to make any of the foregoing provisions effective, and likewise make these provisions binding upon my/our heirs, legal representatives, administrators and assigns.

WITNESS:

Gordon Freedman  
Printed name of Witness

  
Signature of Witness

 Date: December 13<sup>th</sup>  
Bruno Couillard

057 : 1 2202

5. (A) The amalgamation agreement has been duly adopted by the shareholders of each of the amalgamating corporations as required by subsection 176 (4) of the Business Corporations Act on the date set out below.

(A) Les actionnaires de chaque compagnie qui fusionne ont dûment adopté la convention de fusion conformément au paragraphe 176 (4) de la Loi sur les compagnies à la date mentionnée ci-dessous.

Check A or B      Cocher A ou B

- (B) The amalgamation has been approved by the directors of each amalgamating corporation by a resolution as required by section 177 of the Business Corporations Act on the date set out below.

(B) Les administrateurs de chaque compagnie qui fusionne ont approuvé la fusion par voie de résolution conformément à l'article 177 de la Loi sur les compagnies à la date mentionnée ci-dessous.

The articles of amalgamation in substance contain the provisions of the articles of incorporation of

Les statuts de fusion reprennent essentiellement les dispositions des statuts constitutifs de

and are more particularly set out in these articles.

et sont énoncés textuellement aux présents statuts.

| Names of amalgamating corporations<br>Dénomination sociale des compagnies qui fusionnent | Ontario Corporation Number<br>Numéro de la compagnie en Ontario | Date of Adoption/Approval<br>Date d'adoption ou d'approbation |
|--|---|---|
| Chrysalis-ITS Incorporated   | 1085116   | September 5, 2003   |
| RTI Acquisition Corp.  | 2030683   | September 5, 2003   |

6. Restrictions, if any, on business the corporation may carry on or on powers the corporation may exercise.

*Limites, s'il y a lieu, imposées aux activités commerciales 1 ou aux pouvoirs de la compagnie.*

None.

7. The classes and any maximum number of shares that the corporation is authorized to issue:

*Catégories et nombre maximal, s'il y a lieu, d'actions que la compagnie est autorisée à émettre:*

The Corporation is authorized to issue an unlimited number of shares designated as common shares (the "Common Shares") and unlimited number of shares designated as redeemable preferred shares (the "Amalco Preferred Shares").



- 8 Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series:

*Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions qui peut être émise en série:*

4.

The attached Schedule C is incorporated into this form.

## SCHEDULE "C"

The following are the rights, privileges, restrictions and conditions attaching to the Common Shares and to the Amalco Preferred Shares of Rainbow-Chrysalis Inc. ("Amalco").

1. **Common Shares.** The Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

1.1 **Voting.** The holders of the Common Shares shall be entitled to receive notice of and to attend any meetings of the shareholders of Amalco and, at any meeting of the shareholders of Amalco, shall be entitled to one vote in respect of each Common Share held.

1.2 **Dividends.** The holders of the Common Shares shall, in the absolute discretion of the directors, be entitled to receive and Amalco shall pay out of monies of Amalco properly applicable to the payment of dividends, those dividends as may be declared from time to time in respect of the Common Shares. Notwithstanding the foregoing, no dividend shall be paid on Common Shares until the Amalco Preferred Shares have been redeemed by Amalco.

1.3 **Capital Distribution.** In the event of the liquidation, dissolution or winding-up of Amalco or other distribution of assets of Amalco among its shareholders for the purpose of winding-up its affairs (whether voluntary or involuntary), upon a reduction of capital or a redemption of Amalco Preferred Shares (any of which events are referred to as a "Capital Distribution"), and after the holders of the Amalco Preferred Shares have received payment of the amounts to which they are entitled in accordance with the rights, privileges, restrictions and conditions attaching to such shares, the holders of the Common Shares shall be entitled to receive equally on a per share basis, the amount paid up on their Common Shares, together with any declared but unpaid dividends. Thereafter, the holders of the Common Shares shall be entitled to share equally among themselves on a per share basis in any further distribution of the property or assets of Amalco. Notwithstanding the foregoing, no amount referred to herein shall be paid on Common Shares until the Amalco Preferred Shares have been redeemed in full by Amalco pursuant hereto.

2. **Definitions for Redemption Rights.** Any terms with initial capital letters that are not defined herein shall have the meanings given to them in the business combination agreement to be dated on or about September 5, 2003 (the "Business Combination Agreement"), among Rainbow Technologies Inc. ("Parent"), RTI Acquisition Corp. ("Merger Sub"), Chrysalis-ITS Incorporated ("Chrysalis"), and Capital Alliance Ventures Inc. ("Shareholders' Representative"). Further, the following terms shall be defined as follows:

- (a) "Escrow Amount per Share" means a dollar amount equal to the Escrow Amount (if any) divided by the number of Amalco Preferred Shares as of the Closing Date; and
- (b) "Escrow Release Date" means the date which is 30 days after the one-year anniversary of the Closing Date.

3. **Amalco Preferred Shares.** The Amalco Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

3.1 **Non-Voting.** The holders of Amalco Preferred Shares shall not have any voting rights for the election of directors or for any other purpose and shall not be entitled to receive notice of, or to attend

any meetings of the shareholders of Amalco, except meetings at which holders of such class of shares are entitled to vote.

3.2 **Dividends.** The holders of the Amalco Preferred Shares shall not be entitled to receive dividends.

3.3 **Capital Distribution.** In the event of a Capital Distribution, the holders of Amalco Preferred Shares shall be entitled to receive the Redemption Consideration (defined below) apportioned among them based on the number of Amalco Shares held by each such holder and the redemption rights described below before any amount shall be paid or any property or assets of Amalco shall be distributed to the holders of the Common Shares. On payment of the amount so payable to them, the holders of the Amalco Preferred Shares shall not be entitled to share in any further distribution of the property or assets of Amalco.

3.4 **Amalco Preferred Share Redemption Rights.** Subject to Section 4.5 and Section 4.4, as of 4:30 p.m. (Ottawa time) on the effective date of the amalgamation (the "Redemption Date") forming Amalco (the "Time of Redemption"), Amalco shall redeem and cancel as of the Redemption Date all Amalco Preferred Shares then issued and outstanding for the following aggregate redemption consideration (the "Redemption Consideration"):

- (a) a cash payment in Canadian dollars in an amount equal to U.S.\$1.00 (converted into Canadian dollars as of the Closing Date) per Amalco Preferred Share, less the Escrow Amount per Share ("Amalco Cash Payment"); and
- (b) the right to receive a payment from the Escrow Fund, as set forth in paragraph 3.5(b) below.

Except as herein provided, no notice or other act or formality on the part of Amalco shall be required to redeem the Amalco Preferred Shares.

3.5 **Payment of Redemption Consideration.** Amalco shall pay the Redemption Consideration (less any tax required to be withheld by the Corporation as more fully described in paragraph 4.4 below) for the Amalco Preferred Shares being redeemed as follows:

- (c) on presentation and surrender of the certificates representing Company Shares which were converted into Amalco Preferred Shares on the formation of Amalco by way of amalgamation, by the delivery within two Business Days of such presentation and surrender of cheques, bank drafts or wire transfers to or to the order of the holders of such Amalco Preferred Shares of an amount equal to the Amalco Cash Payment multiplied by the number of Amalco Preferred Shares held by each holder of Amalco Preferred Shares; and
- (d) on the Escrow Release Date Amalco shall, through the Escrow Agent, pay to the holders of Amalco Preferred Shares a portion of the Escrow Amount (if any) per Share then held by the Escrow Agent as of the Escrow Release Date (if any) by the delivery of cheques, bank drafts or wire transfers to or to the order of the holders of such Amalco Preferred Shares, to be shared among such holders pro rata as determined as of the Closing by reference to the total amount of Redemption Consideration to which each holder is entitled as compared to the total amount of Redemption Consideration to which all holders are entitled.

4. Amendments to Business Combination Agreement. The references herein to the provisions of the Business Combination Agreement are to the provisions of the Business Combination Agreement in the form to be executed by the parties thereto without regard to any amendments to such agreement which may be made subsequent to the execution thereof by the parties. No amendment or other change to the Business Combination Agreement which have the affect of amending, altering or otherwise modifying the provisions of such agreement referred to herein shall be effective in respect of rights of the holders of the Amalco Preferred Shares as set forth above unless such amendments or other changes are approved by a resolution passed by a special majority of two thirds of the votes cast at a meeting of the holders of the Amalco Preferred Shares. At any such meeting, all the provisions of the articles of Amalco relating in any manner to general meetings or to the proceedings thereat, or to the rights of shareholders at or in connection therewith, shall apply *mutatis mutandis*. Notwithstanding the foregoing, the provisions of the Business Combination Agreement and these rights, restrictions, conditions and privileges effecting the calculation of Redemption Consideration shall only be modified by (i) the agreement of all parties to the Business Combination Agreement, and (ii) by a special resolution approved by at least 2/3 of the votes cast in respect of such special resolution by the former holders of Amalco Preferred Shares issued by Amalco upon the completion of the amalgamation of the Amalgamating Corporations.

4.1 Rights. From and after the Time of Redemption, the holders of the Amalco Preferred Shares shall not be entitled to exercise any of the rights of shareholders in respect thereof. Amalco shall have the right at any time after the Time of Redemption to deposit the Amalco Cash Payment payable in respect of the Amalco Preferred Shares each of the Amalco Preferred Shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof to Amalco for redemption in accordance with these provisions, to a special account in any chartered bank or any trust company in Canada to be paid without interest to or to the order of the respective holders of such Amalco Preferred Shares upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made the Amalco Cash Payment deposited shall be paid in respect of the Amalco Preferred Shares so deposited and the rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate part of the Amalco Cash Payment in respect of the Amalco Preferred Shares so deposited against presentation and surrender of the said certificates held by them respectively. Any interest earned on such deposit or deposits shall belong to Amalco.

4.2 Restriction on Redemption Rights. Without limiting in any way the obligations of Amalco or any of its affiliates under the Business Combination Agreement, nothing herein shall be deemed to permit or oblige Amalco to redeem or repurchase the Amalco Preferred Shares, if the redemption or repurchase would contravene any applicable statute, regulation or rule of law or equity.

4.3 Condition to Receipt of Escrow Amount and Appointment of Shareholders' Representative. Holders of Amalco Preferred Shares (each a "Shareholder") shall only be entitled to rights in the Escrow Fund as determined pursuant to the terms of an escrow agreement to be entered into between the Amalco, the Shareholders' Representative and the Escrow Agent (the "Escrow Agreement") and pursuant to the terms of the Business Combination Agreement. In order to give effect to the foregoing share condition, Capital Alliance Ventures Inc. is hereby appointed without any further action or requirement on the part of the shareholders as agent and true and lawful attorney for the holders of Amalco Preferred Shares (the "Shareholders' Representative") with full authority solely to execute and deliver the Escrow Agreement, to give and receive notices and communications thereunder, to authorize the disbursement of funds to Amalco from the Escrow Fund in satisfaction of claims by Parent or Amalco, to object to such disbursements, to agree to, negotiate and enter into settlements and compromises of, comply with orders of courts and awards of arbitrators with respect to such claims, to incur and be reimbursed for any reasonable expenses incurred by the Shareholders'

Representative in connection with the performance of its duties thereunder, which amounts shall be payable from the Escrow Fund (but only after any distributions therefrom to Amalco), reserve from any Escrow Funds to be released to the former holders Amalco Preferred Shares at the time of termination of the Escrow Agreement (if any) a reasonable estimate of the expenses necessary to resolve any amounts that are the subject of or could become the subject of a dispute, and to take all commercially reasonable actions necessary or appropriate in the judgment of the Shareholders' Representative for the accomplishment of the foregoing. All payments of any portion of the Escrow Amount shall be made in United States dollars and the Person receiving such payment shall bear the risk of any fluctuation in the exchange rate of the United States dollar against the Canadian dollar during the period from the Closing Date to the date of such payment.

Such condition of the Amalco Preferred Shares, and the agency and power of attorney created solely to give effect to such share condition, may not be changed without the prior written consent of Amalco, *provided, however*, that the Shareholders' Representative may be removed if holders of a two-thirds interest in the Escrow Fund agree to such removal and to the appointment of a substituted Shareholders' Representative. Any vacancy in the position of Shareholders' Representative, including further to the resignation of the Shareholders' Representative, may be filled by approval of the holders of a majority in interest of the Escrow Fund.

Notices or communications in respect of the Escrow Fund to or from the Shareholders' Representative shall constitute notice to or from the Shareholders.

The Shareholders' Representative shall not be liable for any act done or omitted to be done in performing its duties as agent, fiduciary, and attorney for the Shareholders while acting in good faith and in the exercise of commercially reasonable judgment.

A decision, act, consent or instruction of the Shareholders' Representative shall constitute a decision of each of the Shareholders and shall be final, binding and conclusive upon each such Shareholder, and the Escrow Agent, Parent and Amalco may rely upon any such decision, act, consent or instruction of the Shareholders' Representative as being the decision, act, consent or instruction of the Shareholders.

The Escrow Agent, Amalco and Parent are hereby relieved from any liability to any person for any acts done by them in good faith in accordance with such decision, act, consent or instruction of the Shareholders' Representative.

Each Shareholder shall, severally and not jointly, on a pro rata basis based on its proportionate ownership interests of the Escrow Fund, reimburse the Shareholders' Representative for any expense that may be incurred by the Shareholders' Representative arising out of or in connection with the acceptance or administration of the Shareholders' Representative's duties, except as caused by the Shareholders' Representative's gross negligence or wilful misconduct, including the reasonable legal costs and expenses associated with disputing any claim made by Parent or its affiliates pursuant to the provisions of the Escrow Agreement. In addition, the Shareholder shall not directly or indirectly make any claim against the Shareholders' Representative arising out of or in connection with the acceptance or administration of the Shareholders' Representative's duties, except as caused by the Shareholders' Representative's gross negligence or wilful misconduct. Notwithstanding any other provision of the foregoing or the Escrow Agreement, the Shareholder hereby acknowledges and agrees that the Shareholders' Representative shall be permitted to demand sufficient advance or security from the Shareholder (but not in an amount greater than the Shareholder's proportionate amount of the Escrow Fund) for estimated expenses, if any, associated with taking any action to dispute any claim made by Amalco against the Escrow Fund held by the Escrow Agent pursuant to

the terms of the Escrow Agreement. Such advance or security demands shall be in writing and shall be made within seven (7) Business Days of the Shareholders' Representative's receipt of a claim pursuant to the Escrow Agreement. Without limiting the generality of the foregoing provision of this power of attorney, the Shareholders' Representative shall not be liable for any failure to take any such action as a result of the Shareholder or any other shareholder(s) failing to make such advances or to provide such security.

This agency and power of attorney shall survive the dissolution, liquidation or winding up of the Shareholder, where the Shareholder is a corporation, and where the Shareholder is a natural person, this power of attorney shall survive the death or incapacity of the Shareholder.

#### 4.4 Withholding Tax

(1) If (i) a signed declaration that the holder of an Amalco Preferred Share is not a non-resident of Canada for purposes of the Tax Act, or (ii) a certificate issued by the Minister of National Revenue pursuant to subsection 116(2) of the Tax Act in respect of the redemption by Amalco of the Amalco Preferred Shares, specifying a certificate limit in an amount which is not less than the portion of the Redemption Consideration that is otherwise payable to the holder of an Amalco Preferred Share on the Redemption Date hereunder (the "Proportionate Redemption Consideration") based on the assumption such holder will receive the maximum Escrow Amount per share is not delivered to Amalco at or before the Redemption Date, Amalco shall be entitled to withhold from any payment of a portion of the Proportionate Redemption Consideration payable on the Redemption Date, on the date which the Escrow Amount is due and payable, the amount that Amalco may be required to remit pursuant to subsection 116(5) of the Tax Act in connection with the payment of such Proportionate Redemption Consideration (the "Withheld Amount"), which amount shall be retained by Amalco.

(2) If, prior to the 25th day after the end of the month in which the Redemption Date occurs, the holder of Amalco Preferred Shares delivers to Amalco:

(a) a signed declaration that such holder is not a non-resident of Canada for the purposes of that Tax Act, Amalco shall promptly pay such shareholder the Withheld Amount,

(b) a certificate issued by the Minister of National Revenue under subsection 116(2) of the Tax Act in respect of the redemption of such shares by Amalco, Amalco shall promptly pay such shareholder the lesser of (i) the Withheld Amount and (ii) the Withheld Amount less the amount, if any, by which the Proportionate Redemption Consideration exceeds the amount specified in such certificate as the certificate limit, multiplied by the percentage specified in subsection 116(5) of the Tax Act, or

(c) a certificate by the Minister of National Revenue under subsection 116(4) of the Tax Act in respect of the redemption of the Amalco Preferred Shares by Amalco,

Amalco shall promptly pay the Withheld Amount to the holder of such Amalco Preferred Shares immediately preceding the Redemption Date (less any applicable withholding Tax).

- (3) If Amalco has withheld the Withheld Amount and the relevant Amalco shareholder does not deliver to Amalco, prior to the 25th day after the end of the month in which the Redemption Date occurs:

(a) a signed declaration that such shareholder is not a non-resident of Canada for the purposes of the Tax Act;

(b) a certificate issued by the Minister of National Revenue under subsection 116(2) of the Tax Act in respect of the redemption of the relevant Amalco shares by Amalco;

(c) a letter from the Minister of National Revenue, in a form satisfactory to Amalco, confirming to Amalco that the remittance of the Withheld Amount to the Receiver General of Canada can be delayed pending the issuance of a certificate issued under subsection 116(2) of the Tax Act; or

(d) a certificate issued by the Minister of National Revenue under subsection 116(4) of the Tax Act in respect of the redemption of the relevant Amalco shares by Amalco.

Amalco shall remit to the Receiver General of Canada the amount required to be remitted pursuant to subsection 116(5) of the Tax Act (and the amount so remitted shall be credited to Amalco as payment on account of the Proportionate Redemption Consideration) and Amalco shall pay to the relevant Amalco shareholder any remaining portion of the Withheld Amount (less any applicable withholding Tax).

#### 4.5 Certificate and Settlement Procedures.

- (2) Other than as set forth in Section 13(3) of the Amalgamation Agreement, no certificates will be issued in respect of Amalco Preferred Shares on or after the Closing Date and, in the interim, certificates representing Company Shares shall be deemed to entitle the holders thereof to: (i) that number of Amalco Preferred Shares as set out in Section 12 of the Amalgamation Agreement; (ii) the Redemption Consideration per share payable to such holder; (iii) any dividends or other distributions (including any portion of the Redemption Consideration) declared or made after the Closing Date with respect to Amalco Preferred Shares; and (iv) any entitlements of the holder thereof to cash in lieu of any fractional Amalco Preferred Shares, pursuant to Section 12(e) of the Amalgamation Agreement.
- (3) Subject to applicable law, Amalco shall as of the Time of Redemption redeem all of the Amalco Preferred Shares by payment to the registered holders thereof of the amounts set out herein. Subject to Section 4.4 of these share provisions, on or after the Time of Redemption, within two Business Days of the presentation and surrender of the certificates representing Company Shares which were converted into Amalco Preferred Shares on the formation of Amalco by way of amalgamation, Amalco shall pay or cause to be paid to the registered holders of Amalco Preferred Shares, without interest: (i) the Amalco Cash Payment payable to such holder; (ii) any dividends or other distributions (including any portion of the Redemption Consideration) declared or made after the Closing Date with respect to Amalco Preferred Shares; and (iii) any entitlements of the holder thereof to cash in lieu of any fractional Amalco Preferred Shares, pursuant to Section 12(e) of the Amalgamation Agreement. From and after the Time of Redemption, the holders of Amalco Preferred Shares shall not be entitled to exercise any of the rights of shareholders in respect thereof. Amalco

shall have the right at any time after the Time of Redemption to deposit the Amalco Cash Payment payable in respect of the Amalco Preferred Shares, or such of the Amalco Preferred Shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof to Amalco for redemption in accordance with the provisions of the Amalco Preferred Shares, to a segregated account (the "Segregated Account") in any chartered bank or any trust company in Canada, in trust for the benefit of the registered shareholders of the Company as at the Closing Date, to be paid without interest to or to the order of of such registered shareholders upon presentation and surrender to Amalco of the certificates representing the same, and subject to Section 4.4 of these share provisions, upon such deposit being made the Amalco Cash Payment per share deposited shall be paid in respect of the Amalco Preferred Shares so deposited and the rights of the holders thereof after such deposit shall be limited to receiving the Redemption Consideration in respect of the Amalco Preferred Shares so deposited against presentation and surrender of the said certificates held by them respectively. The Segregated Account may be an interest bearing account and any interest earned on the amounts deposited in the Segregated Account shall belong to Amalco.

- (4) In the event any certificate which after to the Closing Date represented one or more outstanding Company Shares shall have been lost, stolen or destroyed, upon making an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed and upon providing an indemnity in a form satisfactory to Amalco, Amalco shall issue in exchange for such certificate lost, stolen or destroyed certificate, one or more certificates representing one or more of the applicable Amalco Preferred Shares. When authorizing any dividend or distribution in respect of such exchanged lost, stolen, or destroyed certificate, the Person to whom such certificates representing Amalco Preferred Shares are to be issued shall, as condition precedent to the issuance thereof, indemnify Amalco in a manner satisfactory to Amalco, against any claim that may be made against Amalco, with respect to the certificate alleged to have been lost, stolen, or destroyed.
- (5) Any certificate which immediately prior to the Closing Date represented outstanding Company Shares (other than Company Shares held by Dissenting Shareholders) that is not deposited with all other instruments required by Section 13(2) of the Amalgamation Agreement on or prior to the date that is the first anniversary of the Closing Date shall cease to represent a claim or interest of any kind or nature as a shareholder of Amalco. On such date, the Amalco shares to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered for no consideration to Amalco, together with all entitlements to dividends, distributions and interest in respect thereof held for such former holder. Amalco shall not be liable to any Person in respect of any Amalco Preferred Shares (or dividends, distributions and interest in respect thereof) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. At any time after the date that is the first anniversary of the Closing Date, Amalco may transfer any amounts in the Segregated Account (including any interest) to any other account of Amalco with a chartered bank or trust company in Canada, including any general or operational account of Amalco, and upon any such transfer the trust created pursuant to Section 4.5(2) for the benefit of the registered shareholders of the Company as at the Closing Date shall cease and terminate.



shall have the right at any time after the Time of Redemption to deposit the Amaleco Cash Payment payable in respect of the Amaleco Preferred Shares, or such of the Amaleco Preferred Shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof to Amaleco for redemption in accordance with the provisions of the Amaleco Preferred Shares, to a segregated account (the "Segregated Account") in any chartered bank or any trust company in Canada, in trust for the benefit of the registered shareholders of the Company as at the Closing Date, to be paid without interest to or to the order of of such registered shareholders upon presentation and surrender to Amaleco of the certificates representing the same, and subject to Section 4.4 of these share provisions, upon such deposit being made the Amaleco Cash Payment per share deposited shall be paid in respect of the Amaleco Preferred Shares so deposited and the rights of the holders thereof after such deposit shall be limited to receiving the Redemption Consideration in respect of the Amaleco Preferred Shares so deposited against presentation and surrender of the said certificates held by them respectively. The Segregated Account may be an interest bearing account and any interest earned on the amounts deposited in the Segregated Account shall belong to Amaleco.

- (4) In the event any certificate which after to the Closing Date represented one or more outstanding Company Shares shall have been lost, stolen or destroyed, upon making an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed and upon providing an indemnity in a form satisfactory to Amaleco, Amaleco shall issue in exchange for such certificate lost, stolen or destroyed certificate, one or more certificates representing one or more of the applicable Amaleco Preferred Shares. When authorizing any dividend or distribution in respect of such exchanged lost, stolen, or destroyed certificate, the Person to whom such certificates representing Amaleco Preferred Shares are to be issued shall, as condition precedent to the issuance thereof, indemnify Amaleco in a manner satisfactory to Amaleco, against any claim that may be made against Amaleco, with respect to the certificate alleged to have been lost, stolen, or destroyed.
- (5) Any certificate which immediately prior to the Closing Date represented outstanding Company Shares (other than Company Shares held by Dissenting Shareholders) that is not deposited with all other instruments required by Section 13(2) of the Amalgamation Agreement on or prior to the date that is the first anniversary of the Closing Date shall cease to represent a claim or interest of any kind or nature as a shareholder of Amaleco. On such date, the Amaleco shares to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered for no consideration to Amaleco, together with all entitlements to dividends, distributions and interest in respect thereof held for such former holder. Amaleco shall not be liable to any Person in respect of any Amaleco Preferred Shares (or dividends, distributions and interest in respect thereof) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. At any time after the date that is the first anniversary of the Closing Date, Amaleco may transfer any amounts in the Segregated Account (including any interest) to any other account of Amaleco with a chartered bank or trust company in Canada, including any general or operational account of Amaleco, and upon any such transfer the trust created pursuant to Section 4.5(2) for the benefit of the registered shareholders of the Company as at the Closing Date shall cease and terminate.

9. The issue, transfer or ownership of shares is/are not restricted and the restrictions (if any) are as follows: *L'émission, le transfert ou la propriété d'actions est/n'est pas restreinte. Les restrictions, s'il y a lieu, sont les suivantes:* <sup>5.</sup>

The transfer of shares in the capital of Corporation shall be restricted in that no share shall be transferred without either (i) the consent of the directors of the Corporation expressed by a resolution passed by the board of directors or by an instrument or instruments in writing signed by all such directors, or, (ii) the consent of the holders of shares to which are attached 100% of the voting rights attaching to all shares for the time being outstanding and entitled to vote at such time expressed by a resolution passed by such shareholders at a meeting duly called and constituted for that purpose or by an instrument or instruments in writing signed by all of such shareholders.

10. Other provisions, (if any).

*Autres dispositions, s'il y a lieu:*

Any invitation to the public to subscribe for any securities of the Corporation is prohibited.

11. The statements required by subsection 178(2) of the Business Corporations Act are attached as Schedule "A". *Les déclarations exigées aux termes du paragraphe 178(2) de la Loi sur les compagnies constituent l'annexe "A"*

12. A copy of the amalgamation agreement or directors resolutions (as the case may be) is/are attached as Schedule "B". *Une copie de la convention de fusion ou les résolutions des administrateurs (selon le cas) constitue(nt) l'annexe "B".*

These articles are signed in duplicate.

Les présents statuts sont signés en double exemplaire. 6.

Names of the amalgamating corporations and  
signatures and descriptions of office of their proper  
officers.

Dénomination sociale des compagnies qui  
fusionnent, signature et fonction de leurs dirigeants  
régulièrement désignés.

**CHRYSLIS-ITS INCORPORATED**

By: 

Name: DAVID L. CONDIT

Title: CHIEF EXECUTIVE OFFICER

**RTI ACQUISITION CORP.**

By: 

Name: STANLEY W. FREEDMAN

Title: DIRECTOR


Schedule "A"

**DIRECTOR'S STATEMENT PURSUANT  
TO SUBSECTION 178(2) OF THE  
BUSINESS CORPORATIONS ACT (ONTARIO)**

I, Shawn D. Abbott, of the City of Calgary, in the Province of Alberta,  
state that:

1. This statement is made pursuant to subsection 178(2) of the *Business Corporations Act* (Ontario) (the "Act");
2. I am a director of RTI ACQUISITION CORP., one of the amalgamating Corporations (hereinafter called the "Corporation").
3. I have conducted such examinations of the books and records of the Corporation and have made such enquiries and investigations as are necessary to enable me to make this statement:
4. There are reasonable grounds for believing that:
  - (a) the Corporation is and the amalgamated corporation will be able to pay its liabilities as they become due;
  - (b) the realizable value of the assets of the amalgamated corporation will not be less than the aggregate of its liabilities and stated capital of all classes;
  - (c) no creditor of the Corporation will be prejudiced by the amalgamation;

DATED the 5<sup>th</sup> day of September, 2003.

  
Shawn D. Abbott, Director  
& President

## AMALGAMATION AGREEMENT

THIS AMALGAMATION AGREEMENT, dated September 5, 2003, (this "Agreement") is entered into by and among Chrysalis-ITS Incorporated, a corporation incorporated under the *Business Corporations Act* (Ontario) (the "Company") and RTI Acquisition Corp., a corporation incorporated under the *Business Corporations Act* (Ontario) (the "Merger Sub").

### RECITALS:

- (a) The boards of directors and the shareholders of each of Merger Sub and the Company (i) have determined that it is fair, advisable and in the best interests of Merger Sub and the Company, respectively, and their respective shareholders, to enter into a business combination whereby Merger Sub and the Company will amalgamate upon the terms and subject to the conditions set forth herein, and (ii) have approved and adopted this Agreement and the other transactions contemplated hereby in accordance with the *Business Corporations Act* (Ontario);
- (b) The shareholders of the Company have approved the Transaction by Special Resolution at a special meeting of the Company's shareholders duly called in accordance and in compliance with the provisions of the *Business Corporations Act* (Ontario), the Company's constating documents and any agreement between the Company's shareholders.
- (c) The Company was incorporated under the laws of the Province of Ontario by Certificate and Articles of Incorporation dated July 29, 1994;
- (d) Merger Sub was incorporated under the laws of the Province of Ontario by Certificate and Articles of Incorporation dated August 6, 2003;
- (e) The Company is authorized to issue (i) an unlimited number of Company Common Shares, of which 10,418,804 shares are issued and outstanding as of the date hereof, (ii) an unlimited number of Company Class A Shares, of which 5,512,047 are issued and outstanding as of the date hereof, and (iii) an unlimited number of Company Class B Shares, of which 4,364,406 shares are issued and outstanding as of the date hereof;
- (f) Merger Sub is authorized to issue an unlimited number of common shares, of which 100 Common Shares are issued and outstanding as fully paid and non-assessable as of the date hereof;
- (g) Each party has made full and complete disclosure to the other party of all their respective assets and liabilities; and
- (h) The parties hereto, acting under the authority contained in the *Business Corporations Act* (Ontario), have agreed to amalgamate and continue as one corporation on the terms hereinafter set out.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained and for other good and valuable consideration (the receipt and adequacy of which are acknowledged), the parties agree as follows:

**STATEMENT OF OFFICER OF**

**CHRYSLIS-ITS INCORPORATED**

1. I, David Longbottom, am the Chief Executive Officer of Chrysalis-ITS Incorporated (the "Corporation"), one of the amalgamating corporations listed in the Articles of Amalgamation to which this statement is appended (the "Articles").

2. Having conducted such examinations of the books and records of the other amalgamating corporations listed in the Articles and having made such inquiries and investigations as I considered appropriate, I hereby state that there are reasonable grounds for believing that:

(a) the Corporation is and the amalgamated corporation created by the Articles (the "Amalgamated Corporation") will be able to pay its liabilities as they become due;

(b) the realizable value of the Amalgamated Corporation's assets will not be less than the aggregate of its liabilities and stated capital of all classes; and

(c) no creditor will be prejudiced by the amalgamation.

DATED the 5<sup>th</sup> day of September, 2003.

DECLARED BEFORE ME at the  
City of Ottawa, in the  
Province of Ontario  
this 5<sup>th</sup> day of  
September, 2003.

**David Longbottom**  
**Chief Executive Officer**

A Commissioner, etc.

**Section 4 Registered Office.**

The registered office of Amalco shall be in the City of Ottawa, in the Province of Ontario. The address of the registered office of Amalco shall be One Chrysalis Way, Ottawa, Ontario, K2G 6P9.

**Section 5 Business and Powers.**

There shall be no restrictions on the business that Amalco may carry on or on the powers that Amalco may exercise.

**Section 6 Authorized Share Capital.**

Amalco shall be authorized to issue an unlimited number of common shares (the "Amalco Common Shares") and an unlimited number of redeemable preferred shares (the "Amalco Preferred Shares").

**Section 7 Share Provisions.**

The shares in the capital of Amalco shall have attached thereto the rights, privileges, restrictions and conditions set forth in Schedule "A".

**Section 8 Share Transfer Restrictions.**

The transfer of shares in the capital of Amalco shall be restricted in that no share shall be transferred without either (i) the consent of the directors of Amalco expressed by a resolution passed by the board of directors or by an instrument or instruments in writing signed by all such directors, or, (ii) the consent of the holders of shares to which are attached 100% of the voting rights attaching to all shares for the time being outstanding and entitled to vote at such time expressed by a resolution passed by such shareholders at a meeting duly called and constituted for that purpose or by an instrument or instruments in writing signed by all of such shareholders.

**Section 9 Prohibition on Public Offering.**

Any invitation to the public to subscribe for any securities of Amalco is prohibited.

**Section 10 Number of Directors and First Directors.**

- (1) The number (or minimum and maximum number) of directors of Amalco shall be a minimum of one (1) and a maximum of ten (10), until changed in accordance with the Act. Until changed by special resolution of Amalco, or if the directors of Amalco are so authorized by special resolution of Amalco, by resolution of the said directors, the directors of Amalco shall consist of 3 directors and the first directors of Amalco shall be the following:

| <u>Name</u>        | <u>Address for Service</u>                                       | <u>Resident Canadian</u> |
|--------------------|--|--------------------------|
| David Longbottom   | 128 Fourth Avenue<br>Ottawa, ON K1S 2L4                          | Yes                      |
| Antonio J. Sanchez | 9426 Residencia<br>Newport Beach,<br>California,<br>U.S.A. 92660 | No                       |
| Shawn D. Abbott    | 305 Pinnacle Ridge Place   | Yes                      |

Calgary, Alberta  
Canada T3E 6W3

- (2) The first directors named above shall hold office until the first annual meeting of shareholders of Amalco or until their successors are elected or appointed, subject to Amalco's by-laws.

**Section 11 By-laws.**

The by-laws of Amalco shall be the by-laws of Merger Sub. A copy of such by-laws may be examined at One Chrysalis Way, Ottawa, Ontario K2G 6P9 at any time during regular business hours prior to the Closing Date.

**Section 12 Share Cancellation.**

On the Closing Date, the issued and outstanding shares in the capital of the Amalgamating Corporations shall be cancelled and converted as follows:

- (a) Each Merger Sub Share issued and outstanding on the Closing Date will be cancelled and extinguished and will be automatically converted into an Amalco Common Share on the basis of one (1) Amalco Common Share for each Merger Sub Share;
- (b) Each Company Common Share issued and outstanding on the Closing Date will be cancelled and extinguished and, except for Company Common Shares which are held by Dissenting Shareholders, will be automatically converted into an Amalco Preferred Share on the basis of 0.198488 Amalco Preferred Shares for each Company Common Share;
- (c) Each Company Class A Share issued and outstanding on the Closing Date will be cancelled and extinguished and, except for Company Class A Shares which are held by Dissenting Shareholders, will be automatically converted into an Amalco Preferred Share on the basis of 0.57982 Amalco Preferred Shares for each Company Class A Share;
- (d) Each Company Class B Share issued and outstanding on the Closing Date will be cancelled and extinguished and, except for Company Class B Shares which are held by Dissenting Shareholders, will be automatically converted into an Amalco Preferred Share on the basis of 3.10145 Amalco Preferred Shares for each Company Class B Share;
- (e) No fraction of an Amalco Preferred Share will be issued upon conversion of Company Shares pursuant to the Transaction, but in lieu thereof, each holder of Company Shares who would otherwise be entitled to a fraction of an Amalco Preferred Share (after aggregating all fractional shares of Amalco Preferred Shares to be received by such holder) shall be entitled to receive from Amalco an amount of cash (rounded to the nearest whole cent) equal to the product of (i) such fraction of an Amalco Preferred Share, multiplied by (ii) US\$1.00;
- (f) On the Closing Date, the stated capital to be added to each class of securities of Amalco shall be as follows: (i) the Canadian dollar equivalent (determined as of the Closing Date) of an amount equal to US \$1.00 multiplied by the number of Amalco Preferred Shares issued on the amalgamation, in respect of the Amalco Preferred



Shares (the "Preferred Share Amount") and (ii) the Canadian dollar equivalent (determined as of the Closing Date) of US\$20,000,000 in the aggregate, in respect of the Amalco Common Shares.

**Section 13      Certificates and Settlement Procedures.**

- (1) Other than as set forth in Section 13(3) of this Agreement, no certificates will be issued in respect of Amalco Preferred Shares on or after the Closing Date and, in the interim, certificates representing Company Shares shall be deemed to entitle the holders thereof to: (i) that number of Amalco Preferred Shares as set out in Section 12 of this Agreement; (ii) the Redemption Consideration per share payable to such holder; (iii) any dividends or other distributions (including any portion of the Redemption Consideration) declared or made after the Closing Date with respect to Amalco Preferred Shares; and (iv) any entitlements of the holder thereof to cash in lieu of any fractional Amalco Preferred Shares, pursuant to Section 12(e) of this Agreement.
- (2) Subject to applicable law, Amalco shall as of 4:30 p.m. (Ottawa time) on the effective date of the amalgamation forming Amalco (the "Time of Redemption") redeem all of the Amalco Preferred Shares, by payment to the registered holders thereof of the amounts set out in, and in accordance with, the provisions of the Amalco Preferred Shares. Except as provided in the provisions of the Amalco Preferred Shares, no notice or other act or formality on the part of Amalco shall be required to redeem the Amalco Preferred Shares. Subject to Section 4.4 of the Amalco Share Provisions, on or after the Time of Redemption, within two Business Days of the presentation and surrender of the certificates representing Company Shares which were converted into Amalco Preferred Shares on the formation of Amalco by way of amalgamation, Amalco shall pay or cause to be paid to the registered holders of Amalco Preferred Shares, without interest: (i) a cash payment in Canadian dollars in an amount equal to U.S.\$1.00 (converted into Canadian dollars as of the Closing Date) per Amalco Preferred Share, less the Escrow Amount per Share (the "Amalco Cash Payment"); (ii) any dividends or other distributions (including any portion of the Redemption Consideration) declared or made after the Closing Date with respect to Amalco Preferred Shares; (iii) any entitlements of the holder thereof to cash in lieu of any fractional Amalco Preferred Shares, pursuant to Section 12(e) of this Agreement. From and after the Time of Redemption, the holders of Amalco Preferred Shares shall not be entitled to exercise any of the rights of shareholders in respect thereof. Amalco shall have the right at any time after the Time of Redemption to deposit the Amalco Cash Payment payable in respect of the Amalco Preferred Shares, or such of the Amalco Preferred Shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof to Amalco for redemption in accordance with the provisions of the Amalco Preferred Shares, to a segregated account (the "Segregated Account") in any chartered bank or any trust company in Canada, in trust for the benefit of the registered shareholders of the Company as at the Closing Date, to be paid without interest to or to the order of such registered shareholders upon presentation and surrender to Amalco of the certificates representing the same, and subject to Section 4.4 of the Amalco Share Provisions, upon such deposit being made the Amalco Cash Payment per share deposited shall be paid in respect of the Amalco Preferred Shares so deposited and the rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate part of the Amalco Cash Payment in respect of the Amalco Preferred Shares so deposited against presentation and surrender of the said certificates held by them.

respectively. The Segregated Account may be an interest bearing account and any interest earned on the amounts deposited in the Segregated Account shall belong to Amalco.

- (3) In the event any certificate which immediately prior to the Closing Date represented one or more outstanding Company Shares shall have been lost, stolen or destroyed, upon making an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed and upon providing an indemnity in a form satisfactory to Company, Company shall issue in exchange for such certificate lost, stolen or destroyed certificate, one or more certificates representing one or more of the applicable Company Shares, which Company Shares shall have the rights and entitlements set forth in Section 13(1) of this Agreement. In the event any certificate which after to the Closing Date represented one or more outstanding Company Shares shall have been lost, stolen or destroyed, upon making an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed and upon providing an indemnity in a form satisfactory to Amalco, Amalco shall issue in exchange for such certificate lost, stolen or destroyed certificate, one or more certificates representing one or more of the applicable Amalco Preferred Shares. When authorizing any dividend or distribution in respect of such exchanged lost, stolen, or destroyed certificate, the Person to whom such certificates representing Amalco Preferred Shares are to be issued shall, as condition precedent to the issuance thereof, indemnify Amalco in a manner satisfactory to Amalco, against any claim that may be made against Amalco, with respect to the certificate alleged to have been lost, stolen, or destroyed.
- (4) Any certificate which immediately prior to the Closing Date represented outstanding Company Shares (other than Company Shares held by Dissenting Shareholders) that is not deposited with all other instruments required by Section 13(2) on or prior to the date that is the first anniversary of the Closing Date shall cease to represent a claim or interest of any kind or nature as a shareholder of Amalco. On such date, the Amalco shares to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered for no consideration to Amalco, together with all entitlements to dividends, distributions and interest in respect thereof held for such former holder. Amalco shall not be liable to any Person in respect of any Amalco Preferred Shares (or dividends, distributions and interest in respect thereof) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. At any time after the date that is the first anniversary of the Closing Date, Amalco may transfer any amounts in the Segregated Account (including any interest) to any other account of Amalco with a chartered bank or trust company in Canada, including any general or operational account of Amalco, and upon any such transfer the trust created pursuant to Section 13(2) for the benefit of the registered shareholders of the Company as at the Closing Date shall cease and terminate.

#### Section 14      Effect of Amalgamation.

Upon such amalgamation taking place:

- (a) The Amalgamating Corporations are amalgamated and continue as one Corporation under the terms and conditions prescribed in this Amalgamation Agreement;
- (b) Amalco possesses all the property, rights, privileges and franchises and is subject to all liabilities, including civil, criminal and quasi-criminal, and all contracts, disabilities and debts of each of the Amalgamating Corporations;

- (c) A conviction against, or ruling, order or judgment in favour or against an Amalgamating Corporation may be enforced by or against Amalco;
- (d) The articles of amalgamation are deemed to be the articles of incorporation of Amalco and, except for the purposes of subsection 117(1) of the Act, as may be amended from time to time, the certificate of amalgamation is deemed to be the certificate of incorporation of Amalco; and
- (e) Amalco shall be deemed to be the party plaintiff or the party defendant, as the case may be, in any civil action commenced by or against an Amalgamating Corporation before the date the amalgamation takes place.

**Section 15      Termination.**

At any time before the amalgamation takes place, this Amalgamation Agreement may be terminated by the directors of an Amalgamating Corporation, notwithstanding the approval of this Amalgamation Agreement by the shareholders of all or any of the Amalgamating Corporations.

**Section 16      Counterparts.**

This Agreement may be executed and delivered (including by facsimile transmission) in two counterparts, each of which when executed and delivered shall be deemed to be an original but all of which when taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF the parties have executed this Amalgamation Agreement.

RTI Acquisition Corp.

By: 

Name: SHAWN ABBOTT

Title: PRESIDENT

Chrysalis-ITS Incorporated

By: \_\_\_\_\_

Name:

Title:

IN WITNESS WHEREOF the parties have executed this Amalgamation Agreement.

RTI Acquisition Corp.

By: 

Name: SHAWN ABBOTT

Title: PRESIDENT

Chrysalis-ITS Incorporated

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

IN WITNESS WHEREOF the parties have executed this Amalgamation Agreement.

RTI Acquisition Corp.

By: \_\_\_\_\_

Name: SHAWN ABBOTT

Title: PRESIDENT

Chrysalis-ITS Incorporated

By: \_\_\_\_\_

Name:

Title:

IN WITNESS WHEREOF the parties have executed this Amalgamation Agreement.

RTI Acquisition Corp.

By: 

Name: SHAWN ABBOTT

Title: PRESIDENT

Chrysalis-ITS Incorporated

By: \_\_\_\_\_

Name:


Title:

IN WITNESS WHEREOF the parties have executed this Amalgamation Agreement.

RTI Acquisition Corp.

By: \_\_\_\_\_  
Name:  
Title:

Chrysalis-ITS Incorporated

By:  \_\_\_\_\_  
Name: DAVID LONGBOTTOM  
Title: CHIEF EXECUTIVE OFFICER



## SCHEDULE "A"

The following are the rights, privileges, restrictions and conditions attaching to the Common Shares and to the Amalco Preferred Shares of Rainbow-Chrysalis Inc. ("Amalco").

1. Common Shares. The Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

1.1 Voting. The holders of the Common Shares shall be entitled to receive notice of and to attend any meetings of the shareholders of Amalco and, at any meeting of the shareholders of Amalco, shall be entitled to one vote in respect of each Common Share held.

1.2 Dividends. The holders of the Common Shares shall, in the absolute discretion of the directors, be entitled to receive and Amalco shall pay out of monies of Amalco properly applicable to the payment of dividends, those dividends as may be declared from time to time in respect of the Common Shares. Notwithstanding the foregoing, no dividend shall be paid on Common Shares until the Amalco Preferred Shares have been redeemed by Amalco.

1.3 Capital Distribution. In the event of the liquidation, dissolution or winding-up of Amalco or other distribution of assets of Amalco among its shareholders for the purpose of winding-up its affairs (whether voluntary or involuntary), upon a reduction of capital or a redemption of Amalco Preferred Shares (any of which events are referred to as a "Capital Distribution"), and after the holders of the Amalco Preferred Shares have received payment of the amounts to which they are entitled in accordance with the rights, privileges, restrictions and conditions attaching to such shares, the holders of the Common Shares shall be entitled to receive equally on a per share basis, the amount paid up on their Common Shares, together with any declared but unpaid dividends. Thereafter, the holders of the Common Shares shall be entitled to share equally among themselves on a per share basis in any further distribution of the property or assets of Amalco. Notwithstanding the foregoing, no amount referred to herein shall be paid on Common Shares until the Amalco Preferred Shares have been redeemed in full by Amalco pursuant hereto.

2. Definitions for Redemption Rights. Any terms with initial capital letters that are not defined herein shall have the meanings given to them in the business combination agreement to be dated on or about September 5, 2003 (the "Business Combination Agreement"), among Rainbow Technologies Inc. ("Parent"), RTI Acquisition Corp. ("Merger Sub"), Chrysalis-ITS Incorporated ("Chrysalis"), and Capital Alliance Ventures Inc. ("Shareholders' Representative"). Further, the following terms shall be defined as follows:

- (a) "Escrow Amount per Share" means a dollar amount equal to the Escrow Amount (if any) divided by the number of Amalco Preferred Shares as of the Closing Date; and
- (b) "Escrow Release Date" means the date which is 30 days after the one-year anniversary of the Closing Date.

3. Amalco Preferred Shares. The Amalco Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

3.1 Non-Voting. The holders of Amalco Preferred Shares shall not have any voting rights for the election of directors or for any other purpose and shall not be entitled to receive notice of, or to

attend any meetings of the shareholders of Amalco, except meetings at which only holders of such class of shares are entitled to vote.

3.2 Dividends. The holders of the Amalco Preferred Shares shall not be entitled to receive dividends.

3.3 Capital Distribution. In the event of a Capital Distribution, the holders of Amalco Preferred Shares shall be entitled to receive the Redemption Consideration (defined below) apportioned among them based on the number of Amalco Shares held by each such holder and the redemption rights described below before any amount shall be paid or any property or assets of Amalco shall be distributed to the holders of the Common Shares. On payment of the amount so payable to them, the holders of the Amalco Preferred Shares shall not be entitled to share in any further distribution of the property or assets of Amalco.

3.4 Amalco Preferred Share Redemption Rights. Subject to Section 4.5 and Section 4.4, as of 4:30 p.m. (Ottawa time) on the effective date of the amalgamation (the "Redemption Date") forming Amalco (the "Time of Redemption"), Amalco shall redeem and cancel as of the Redemption Date all Amalco Preferred Shares then issued and outstanding for the following aggregate redemption consideration (the "Redemption Consideration"):

- (a) a cash payment in Canadian dollars in an amount equal to U.S.\$1.00 (converted into Canadian dollars as of the Closing Date) per Amalco Preferred Share, less the Escrow Amount per Share ("Amalco Cash Payment"); and
- (b) the right to receive a payment from the Escrow Fund, as set forth in paragraph 3.5(b) below.

Except as herein provided, no notice or other act or formality on the part of Amalco shall be required to redeem the Amalco Preferred Shares.

3.5 Payment of Redemption Consideration. Amalco shall pay the Redemption Consideration (less any tax required to be withheld by the Corporation as more fully described in paragraph 4.4 below) for the Amalco Preferred Shares being redeemed as follows:

- (a) on presentation and surrender of the certificates representing Company Shares which were converted into Amalco Preferred Shares on the formation of Amalco by way of amalgamation, by the delivery within two Business Days of such presentation and surrender of cheques, bank drafts or wire transfers to or to the order of the holders of such Amalco Preferred Shares of an amount equal to the Amalco Cash Payment multiplied by the number of Amalco Preferred Shares held by each holder of Amalco Preferred Shares; and
- (b) on the Escrow Release Date Amalco shall, through the Escrow Agent, pay to the holders of Amalco Preferred Shares a portion of the Escrow Amount (if any) per Share then held by the Escrow Agent as of the Escrow Release Date (if any) by the delivery of cheques, bank drafts or wire transfers to or to the order of the holders of such Amalco Preferred Shares, to be shared among such holders pro rata as determined as of the Closing by reference to the total amount of Redemption Consideration to which each holder is entitled as compared to the total amount of Redemption Consideration to which all holders are entitled.

4. Amendments to Business Combination Agreement. The references herein to the provisions of the Business Combination Agreement are to the provisions of the Business Combination Agreement in the form to be executed by the parties thereto without regard to any amendments to such agreement which may be made subsequent to the execution thereof by the parties. No amendment or other change to the Business Combination Agreement which have the affect of amending, altering or otherwise modifying the provisions of such agreement referred to herein shall be effective in respect of rights of the holders of the Amalco Preferred Shares as set forth above unless such amendments or other changes are approved by a resolution passed by a special majority of two thirds of the votes cast at a meeting of the holders of the Amalco Preferred Shares. At any such meeting, all the provisions of the articles of Amalco relating in any manner to general meetings or to the proceedings thereat, or to the rights of shareholders at or in connection therewith, shall apply *mutatis mutandis*. Notwithstanding the foregoing, the provisions of the Business Combination Agreement and these rights, restrictions, conditions and privileges effecting the calculation of Redemption Consideration shall only be modified by (i) the agreement of all parties to the Business Combination Agreement, and (ii) by a special resolution approved by at least 2/3 of the votes cast in respect of such special resolution by the former holders of Amalco Preferred Shares issued by Amalco upon the completion of the amalgamation of the Amalgamating Corporations.

4.1 Rights. From and after the Time of Redemption, the holders of the Amalco Preferred Shares shall not be entitled to exercise any of the rights of shareholders in respect thereof. Amalco shall have the right at any time after the Time of Redemption to deposit the Amalco Cash Payment payable in respect of the Amalco Preferred Shares, or such of the Amalco Preferred Shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof to Amalco for redemption in accordance with these provisions, to a special account in any chartered bank or any trust company in Canada to be paid without interest to or to the order of the respective holders of such Amalco Preferred Shares upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made the Amalco Cash Payment deposited shall be paid in respect of the Amalco Preferred Shares so deposited and the rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate part of the Amalco Cash Payment in respect of the Amalco Preferred Shares so deposited against presentation and surrender of the said certificates held by them respectively. Any interest earned on such deposit or deposits shall belong to Amalco.

4.2 Restriction on Redemption Rights. Without limiting in any way the obligations of Amalco or any of its affiliates under the Business Combination Agreement, nothing herein shall be deemed to permit or oblige Amalco to redeem or repurchase the Amalco Preferred Shares, if the redemption or repurchase would contravene any applicable statute, regulation or rule of law or equity.

4.3 Condition to Receipt of Escrow Amount and Appointment of Shareholders' Representative. Holders of Amalco Preferred Shares (each a "Shareholder") shall only be entitled to rights in the Escrow Fund as determined pursuant to the terms of an escrow agreement to be entered into between the Amalco, the Shareholders' Representative and the Escrow Agent (the "Escrow Agreement") and pursuant to the terms of the Business Combination Agreement. In order to give effect to the foregoing share condition, Capital Alliance Ventures Inc. is hereby appointed without any further action or requirement on the part of the shareholders as agent and true and lawful attorney for the holders of Amalco Preferred Shares (the "Shareholders' Representative") with full authority solely to execute and deliver the Escrow Agreement, to give and receive notices and communications thereunder, to authorize the disbursement of funds to Amalco from the Escrow Fund in satisfaction of claims by Parent or Amalco, to object to such disbursements, to agree to, negotiate and enter into settlements and compromises of, comply with orders of courts and awards of

arbitrators with respect to such claims, to incur and be reimbursed for any reasonable expenses incurred by the Shareholders' Representative in connection with the performance of its duties thereunder, which amounts shall be payable from the Escrow Fund (but only after any distributions therefrom to Amalco), reserve from any Escrow Funds to be released to the former holders Amalco Preferred Shares at the time of termination of the Escrow Agreement (if any) a reasonable estimate of the expenses necessary to resolve any amounts that are the subject of or could become the subject of a dispute, and to take all commercially reasonable actions necessary or appropriate in the judgment of the Shareholders' Representative for the accomplishment of the foregoing. All payments of any portion of the Escrow Amount shall be made in United States dollars and the Person receiving such payment shall bear the risk of any fluctuation in the exchange rate of the United States dollar against the Canadian dollar during the period from the Closing Date to the date of such payment.

Such condition of the Amalco Preferred Shares, and the agency and power of attorney created solely to give effect to such share condition, may not be changed without the prior written consent of Amalco, *provided, however*, that the Shareholders' Representative may be removed if holders of a two-thirds interest in the Escrow Fund agree to such removal and to the appointment of a substituted Shareholders' Representative. Any vacancy in the position of Shareholders' Representative, including further to the resignation of the Shareholders' Representative, may be filled by approval of the holders of a majority in interest of the Escrow Fund.

Notices or communications in respect of the Escrow Fund to or from the Shareholders' Representative shall constitute notice to or from the Shareholders.

The Shareholders' Representative shall not be liable for any act done or omitted to be done in performing its duties as agent, fiduciary, and attorney for the Shareholders while acting in good faith and in the exercise of commercially reasonable judgment.

A decision, act, consent or instruction of the Shareholders' Representative shall constitute a decision of each of the Shareholders and shall be final, binding and conclusive upon each such Shareholder, and the Escrow Agent, Parent and Amalco may rely upon any such decision, act, consent or instruction of the Shareholders' Representative as being the decision, act, consent or instruction of the Shareholders.

The Escrow Agent, Amalco and Parent are hereby relieved from any liability to any person for any acts done by them in good faith in accordance with such decision, act, consent or instruction of the Shareholders' Representative.

Each Shareholder shall, severally and not jointly, on a pro rata basis based on its proportionate ownership interests of the Escrow Fund, reimburse the Shareholders' Representative for any expense that may be incurred by the Shareholders' Representative arising out of or in connection with the acceptance or administration of the Shareholders' Representative's duties, except as caused by the Shareholders' Representative's gross negligence or wilful misconduct, including the reasonable legal costs and expenses associated with disputing any claim made by Parent or its affiliates pursuant to the provisions of the Escrow Agreement. In addition, the Shareholder shall not directly or indirectly make any claim against the Shareholders' Representative arising out of or in connection with the acceptance or administration of the Shareholders' Representative's duties, except as caused by the Shareholders' Representative's gross negligence or wilful misconduct. Notwithstanding any other provision of the foregoing or the Escrow Agreement, the Shareholder hereby acknowledges and agrees that the Shareholders' Representative shall be permitted to demand sufficient advance or security from the Shareholder (but not in an amount greater than the

Shareholder's proportionate amount of the Escrow Fund) for estimated expenses, if any, associated with taking any action to dispute any claim made by Amalco against the Escrow Fund held by the Escrow Agent pursuant to the terms of the Escrow Agreement. Such advance or security demands shall be in writing and shall be made within seven (7) Business Days of the Shareholders' Representative's receipt of a claim pursuant to the Escrow Agreement. Without limiting the generality of the foregoing provision of this power of attorney, the Shareholders' Representative shall not be liable for any failure to take any such action as a result of the Shareholder or any other shareholder(s) failing to make such advances or to provide such security.

This agency and power of attorney shall survive the dissolution, liquidation or winding up of the Shareholder, where the Shareholder is a corporation, and where the Shareholder is a natural person, this power of attorney shall survive the death or incapacity of the Shareholder.

#### 4.4 Withholding Tax

(1) If (i) a signed declaration that the holder of an Amalco Preferred Share is not a non-resident of Canada for purposes of the Tax Act, or (ii) a certificate issued by the Minister of National Revenue pursuant to subsection 116(2) of the Tax Act in respect of the redemption by Amalco of the Amalco Preferred Shares, specifying a certificate limit in an amount which is not less than the portion of the Redemption Consideration that is otherwise payable to the holder of an Amalco Preferred Share on the Redemption Date hereunder (the "Proportionate Redemption Consideration") based on the assumption such holder will receive the maximum Escrow Amount per share is not delivered to Amalco at or before the Redemption Date, Amalco shall be entitled to withhold from any payment of a portion of the Proportionate Redemption Consideration payable on the Redemption Date, on the date which the Escrow Amount is due and payable, the amount that Amalco may be required to remit pursuant to subsection 116(5) of the Tax Act in connection with the payment of such Proportionate Redemption Consideration (the "Withheld Amount"), which amount shall be retained by Amalco.

(2) If, prior to the 25th day after the end of the month in which the Redemption Date occurs, the holder of Amalco Preferred Shares delivers to Amalco:

(a) a signed declaration that such holder is not a non-resident of Canada for the purposes of that Tax Act, Amalco shall promptly pay such shareholder the Withheld Amount,

(b) a certificate issued by the Minister of National Revenue under subsection 116(2) of the Tax Act in respect of the redemption of such shares by Amalco, Amalco shall promptly pay such shareholder the lesser of (i) the Withheld Amount and (ii) the Withheld Amount less the amount, if any, by which the Proportionate Redemption Consideration exceeds the amount specified in such certificate as the certificate limit, multiplied by the percentage specified in subsection 116(5) of the Tax Act, or

(c) a certificate by the Minister of National Revenue under subsection 116(4) of the Tax Act in respect of the redemption of the Amalco Preferred Shares by Amalco,

Amalco shall promptly pay the Withheld Amount to the holder of such Amalco

Preferred Shares immediately preceding the Redemption Date (less any applicable withholding Tax).

- (3) If Amalco has withheld the Withheld Amount and the relevant Amalco shareholder does not deliver to Amalco, prior to the 25th day after the end of the month in which the Redemption Date occurs:

(a) a signed declaration that such shareholder is not a non-resident of Canada for the purposes of the Tax Act,

(b) a certificate issued by the Minister of National Revenue under subsection 116(2) of the Tax Act in respect of the redemption of the relevant Amalco shares by Amalco,

(c) a letter from the Minister of National Revenue, in a form satisfactory to Amalco, confirming to Amalco that the remittance of the Withheld Amount to the Receiver General of Canada can be delayed pending the issuance of a certificate issued under subsection 116(2) of the Tax Act; or

(d) a certificate issued by the Minister of National Revenue under subsection 116(4) of the Tax Act in respect of the redemption of the relevant Amalco shares by Amalco,

Amalco shall remit to the Receiver General of Canada the amount required to be remitted pursuant to subsection 116(5) of the Tax Act (and the amount so remitted shall be credited to Amalco as payment on account of the Proportionate Redemption Consideration) and Amalco shall pay to the relevant Amalco shareholder any remaining portion of the Withheld Amount (less any applicable withholding Tax).

#### **4.5 Certificate and Settlement Procedures.**

- (1) Other than as set forth in Section 13(3) of the Amalgamation Agreement, no certificates will be issued in respect of Amalco Preferred Shares on or after the Closing Date and, in the interim, certificates representing Company Shares shall be deemed to entitle the holders thereof to: (i) that number of Amalco Preferred Shares as set out in Section 12 of the Amalgamation Agreement; (ii) the Redemption Consideration per share payable to such holder; (iii) any dividends or other distributions (including any portion of the Redemption Consideration) declared or made after the Closing Date with respect to Amalco Preferred Shares; and (iv) any entitlements of the holder thereof to cash in lieu of any fractional Amalco Preferred Shares, pursuant to Section 12(e) of the Amalgamation Agreement.
- (2) Subject to applicable law, Amalco shall as of the Time of Redemption redeem all of the Amalco Preferred Shares by payment to the registered holders thereof of the amounts set out herein. Subject to Section 4.4 of these share provisions, on or after the Time of Redemption, within two Business Days of the presentation and surrender of the certificates representing Company Shares which were converted into Amalco Preferred Shares on the formation of Amalco by way of amalgamation, Amalco shall pay or cause to be paid to the registered holders of Amalco Preferred Shares, without interest: (i) the Amalco Cash Payment payable to such holder; (ii) any dividends or other distributions (including any portion of the Redemption Consideration) declared or made after the Closing Date with respect to Amalco

Preferred Shares; and (iii) any entitlements of the holder thereof to cash in lieu of any fractional Amalco Preferred Share, pursuant to Section 12(c) of the Amalgamation Agreement. From and after the Time of Redemption, the holders of Amalco Preferred Shares shall not be entitled to exercise any of the rights of shareholders in respect thereof. Amalco shall have the right at any time after the Time of Redemption to deposit the Amalco Cash Payment payable in respect of the Amalco Preferred Shares, or such of the Amalco Preferred Shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof to Amalco for redemption in accordance with the provisions of the Amalco Preferred Shares, to a segregated account (the "Segregated Account") in any chartered bank or any trust company in Canada, in trust for the benefit of the registered shareholders of the Company as at the Closing Date, to be paid without interest to or to the order of or such registered shareholders upon presentation and surrender to Amalco of the certificates representing the same, and subject to Section 4.4 of these share provisions, upon such deposit being made the Amalco Cash Payment per share deposited shall be paid in respect of the Amalco Preferred Shares so deposited and the rights of the holders thereof after such deposit shall be limited to receiving the Redemption Consideration in respect of the Amalco Preferred Shares so deposited against presentation and surrender of the said certificates held by them respectively. The Segregated Account may be an interest bearing account and any interest earned on the amounts deposited in the Segregated Account shall belong to Amalco.

- (3) In the event any certificate which after to the Closing Date represented one or more outstanding Company Shares shall have been lost, stolen or destroyed, upon making an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, and upon providing an indemnity in a form satisfactory to Amalco, Amalco shall issue in exchange for such certificate lost, stolen or destroyed certificate, one or more certificates representing one or more of the applicable Amalco Preferred Shares. When authorizing any dividend or distribution in respect of such exchanged lost, stolen or destroyed certificate, the Person to whom such certificates representing Amalco Preferred Shares are to be issued shall, as condition precedent to the issuance thereof, indemnify Amalco in a manner satisfactory to Amalco, against any claim that may be made against Amalco, with respect to the certificate alleged to have been lost, stolen, or destroyed.
- (4) Any certificate which immediately prior to the Closing Date represented outstanding Company Shares (other than Company Shares held by Dissenting Shareholders) that is not deposited with all other instruments required by Section 13(2) of the Amalgamation Agreement or prior to the date that is the first anniversary of the Closing Date shall cease to represent a claim or interest of any kind or nature as a shareholder of Amalco. On such date, the Amalco shares to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered for no consideration to Amalco, together with all entitlements to dividends, distributions and interest in respect thereof held for such former holder. Amalco shall not be liable to any Person in respect of any Amalco Preferred Shares (or dividends, distributions and interest in respect thereof) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. At any time after the date that is the first anniversary of the Closing Date, Amalco may transfer any amounts in the Segregated Account (including any interest) to any other account of Amalco with a chartered bank or trust company in Canada, including any general or operational account of Amalco, and upon any such transfer the trust created pursuant to Section 4.5(2) for the benefit of the registered shareholders of the Company as at the Closing Date shall cease and terminate.







6. The amendment has been duly authorized as required by sections 168 and 170 (as applicable) of the Business Corporations Act.  
 La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la Loi sur les sociétés par actions.
7. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on  
 Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le

2004/03/22

(Year, Month, Day)  
 (année, mois, jour)

These articles are signed in duplicate.  
 Les présents statuts sont signés en double exemplaire.

Rainbow-Chrysalis Inc.

(Name of Corporation) (if the name is to be changed by these articles set out current name)  
 (Dénomination sociale de la société) (Si l'on demande un changement de nom, indiquer ci-dessous la dénomination sociale actuelle).

By/  
 Par:

*Thom L. Zisch*

(Signature)  
 (Signature)

SECRETARY

(Description of Office)  
 (Fonction)

07118 (03/2003)  
 CSO 04/2003

8 DURHAM  
13 (D.C.A.)

5. The amendment has been duly authorized as required by Sections 167 and 169 (as applicable) of the Business Corporations Act.

*La modification a été dûment autorisée conformément à l'article 167 et, s'il y a lieu, à l'article 169 de la Loi sur les compagnies.*

6. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on

*Les actionnaires ou les administrateurs (le cas échéant) de la compagnie ont approuvé la résolution autorisant la modification*

14 NOVEMBER, 1985

(Day, Month, Year)  
(jour, mois, année)

These articles are signed in duplicate.

*Les présents statuts sont signés en double exemplaire.*

CHRYSLIS INFORMATION  
TECHNOLOGY SECURITY INC.

(Name of Corporation)  
(Dénomination sociale de la compagnie)

By/Par:

(Signature)  
(Signature)  
STEVEN BAKER

(Description of Office)  
(Fonction)

For Ministry Use Only  
 Message received by ministry  
 On \_\_\_\_\_ at \_\_\_\_\_  
**CERTIFICATE**  
 This is to certify that the  
 articles are affecting on

Ministère de  
la Consommation  
et du Commerce  
**CERTIFICAT**  
N° 1117, du 25-1-1967  
Séance 1117 en 1967

Ontario Corporation Number  
Numéro de la société en Ontario

1085116

**MARCH 10 MARS, 1997**

*Carl D. Hill*  
Business Corporation Administrator of the State of Mississippi

**ARTICLES OF AMENDMENT  
STATUTS DE MODIFICATION**

**Form 3  
Business  
Corporations  
Act**

**Formule 3**  
**Loi sur les**  
**sociétés par**  
**actions**

1. The name of the corporation is: *Dénomination sociale de la société:*

[illegible]

2. The name of the corporation is changed to (if applicable): *Nouvelle dénomination sociale de la société (s'il y a lieu):*

[illegible]

3. Date of incorporation/amalgamation: *Date de la constitution ou de la fusion:*

1994/07/29

(Year, Month, Day)  
(année, mois, jour)

4. The articles of the corporation are amended as follows: Les statuts de la société sont modifiés de la façon suivante.

The name of the Corporation is changed from Chrysalis Information Technology Security Inc. to Chrysalis-ITS Incorporated.

5. The amendment has been duly authorized as required by Sections 168 & 170 (as applicable) of the Business Corporations Act.

*La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la Loi sur les sociétés par actions.*

6. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on

*Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le*

1997/02/11

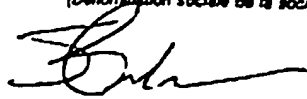
(Year, Month, Day)  
(année, mois, jour)

These articles are signed in duplicate.

*Les présents statuts sont signés en double exemplaire.*

CHRYSLIS INFORMATION  
TECHNOLOGY SECURITY INC.

(Name of Corporation)  
(Dénomination sociale de la société)



By/Par:

President

(Signature)  
(Signature)

(Description of Office)  
(Fonction)



## SCHEDULE A

## CHRYSLIS-ITS INCORPORATED

The Corporation is authorized to issue:

- (a) One class of shares, to be designated as "Common Shares", in an unlimited number; and
- (b) One class of shares, to be designated as "Preferred Shares", in an unlimited number;

such shares having attached thereto the following rights, privileges, restrictions and conditions.

**Section 1 Liquidation Rights.**

- (1) **Liquidated Payments.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of each Preferred Share shall be entitled preferentially to be paid first out of the assets of the Corporation available for distribution to holders of the Corporation's capital stock of all classes an amount equal to the greater of:
  - (a) US\$1.66(the "Minimum Purchase Price") per Preferred Share (such amount to be proportionately adjusted for stock splits, stock dividends, stock combinations, stock recapitalizations and similar events); or
  - (b) Such amount per Preferred Share as would have been payable had all Preferred Shares been converted to Common Shares pursuant to the provisions of Section 2 immediately prior to such event of liquidation, dissolution or winding up.

If all assets of the Corporation shall be insufficient to permit the payment in full to the holders of Preferred Shares of all amounts so distributable to them, then the entire assets of the Corporation available for such distribution shall be distributed rateably among the holders of Preferred Shares in proportion to the full preferential amount each such holder is otherwise entitled to receive.

After such payments shall have been made in full to the holders of the Preferred Shares, or funds necessary for such payments shall have been set aside by the Corporation in trust for the account of holders of Preferred Shares so as to be available for such payments, the remaining assets available for such distribution shall be distributed among the holders of the Common Shares rateably in proportion to the number of Common Shares held by each of them.

After conversion of Preferred Shares into Common Shares pursuant to Section 2, the holder of such Common Shares shall not be entitled to any preferential payment or distribution in case of any liquidation, dissolution or winding up, but shall share rateably in any distribution of the assets of the Corporation among the holders of Common Shares.

The amounts payable with respect to Preferred Shares under this Subsection 1(1) are hereinafter referred to as ("**Preferred Share Liquidation Payments**").

- (2) Distribution Other than Cash. Whenever the distributions provided for in this Section 1 shall be payable in property other than cash, the value of such distribution shall be the fair market value of such property as determined in good faith by the Board of Directors of the Corporation.
- (3) Sale of Assets as Liquidation, Etc. A consolidation or merger of the Corporation with or into any other corporation or corporations in which the Corporation's shareholders do not retain a majority of the voting power in the surviving corporation, or a sale, conveyance or disposition of all or substantially all of the assets of the Corporation, the effectuation by the Corporation of a transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of, or a dividend in one or a series of transactions to the Corporation's shareholders of greater than 25% of the total assets of the Corporation (each, a "Liquidity Event"), shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Corporation for purposes of this Section 1. All consideration received by the Corporation in a Liquidity Event together with all other available assets of the Corporation shall be distributed toward the amounts payable with respect to such Preferred Shares pursuant to Subsection 1(1).
- (4) Notice. Written notice of any proposed liquidation, dissolution or winding up of the affairs of the Corporation (including any Liquidity Event) stating a payment date, the amount of the Preferred Share Liquidation Payments and the place where such Preferred Share Liquidation Payments shall be payable, shall be delivered to the holders of Preferred Shares not less than 45 days prior to the proposed date of such proposed liquidation, dissolution or winding up.

## **Section 2 Conversion.**

The holders of Preferred Shares shall have conversion rights as follows (the "**Conversion Rights**"):

- (1) Optional Conversion. Each Preferred Share shall be convertible, without the payment of any additional consideration by the holder thereof and at the option of the holder thereof, at any time after the Original Issue Date (as hereinafter defined) at the office of the Corporation or any transfer agent for the Preferred Shares, into such number of fully paid and non-assessable Common Shares as is determined by making the following calculation: Each Preferred Share shall be converted into that number of fully paid and non-assessable Common Shares determined by multiplying each such



Preferred Share by the ratio determined by dividing US\$1.66 by the Conversion Price, determined as hereinafter provided, in effect at the time of conversion. The Conversion Price at which Common Shares will be deliverable upon conversion of Preferred Shares without the payment of any additional consideration by the holder thereof (the "Conversion Price") shall initially be US\$1.66 per Common Share.

- (2) Mechanics of Optional Conversions. Before any holder of Preferred Shares shall be entitled to convert the same into Common Shares, the holder shall surrender the certificate or certificates therefor at the office of the Corporation or of any transfer agent for Preferred Shares, and shall give written notice to the Corporation at such office that the holder elects to convert the same and shall state therein the holder's name or the name or, subject to any legal or contractual restrictions on transfer thereof, names of the holder's nominees in which the holder wishes the certificate or certificates for Common Shares to be issued and such notice shall be accompanied by an agreement in form satisfactory to the Corporation acting reasonably by which the person(s) in whose name the Common Shares are to be issued agrees to be bound by the provisions of any applicable shareholders' agreement of the Corporation if such person is not already a party to such agreements. On the date of conversion, all rights with respect to the Preferred Shares so converted shall terminate, except for any of the rights of the holder thereof, upon surrender of the holder's certificate or certificates therefor, to receive certificates for the number of Common Shares into which such Preferred Shares have been converted. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by the holder's attorney duly authorized in writing. No fractional Common Share shall be issued upon the optional conversion of Preferred Shares. In lieu of any fractional share to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then effective Conversion Price. The Corporation shall, as soon as practicable after surrender of the certificate or certificates for conversion, issue and deliver at such office to such holder of Preferred Shares, or, subject to any legal or contractual restrictions on transfer thereof, to the holder's nominee or nominees, a certificate or certificates for the number of Common Shares to which the holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the Preferred Shares to be converted, and the person or persons entitled to receive the Common Shares issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Shares on such date.

- (3) Automatic Conversion. Each Preferred Share shall be converted automatically into the number of Common Shares at the then effective Conversion Price upon the closing of an offering or offerings pursuant to a receipted prospectus under the *Securities Act* (Ontario), as amended, or similar document filed under other applicable securities laws in Canada or the United States, [provided the Corporation is a reporting issuer under the *Securities Act* (Ontario)] covering the offer and sale of Common Shares for the account of the Corporation to the public in which:

- (i) the Common Shares are listed on a senior stock exchange in Canada, a national securities exchange as defined in the United States of America Securities Exchange Act of 1934, or the Nasdaq National Market;
- (ii) the net proceeds to the Corporation from such offering or offerings aggregate not less than U.S. \$15,000,000, and
- (iii) the public offering price of which is not less than US\$4.98 per share adjusted to take account of any dividend, combination of shares, or the like;

(the foregoing is hereinafter referred to as a "Qualifying Initial Public Offering").

- (4) Mechanics of Automatic Conversions. Upon the occurrence of an event specified in Subsection 2(3), the Preferred Shares shall be converted automatically without any further action by the holders of the Preferred Shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent; provided, however, that all holders of Preferred Shares being converted shall be given written notice of the occurrence of an event specified in Subsection 2(3) including the date such event occurred (the "Automatic Conversion Date"), and the Corporation shall not be obligated to issue certificates evidencing the Common Shares issuable upon such conversion unless certificates evidencing such Preferred Shares being converted are either delivered to the Corporation or its transfer agent, or the holder notifies the Corporation or any transfer agent that such certificates have been lost, stolen, or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection therewith and, if the Corporation so elects, provides an appropriate indemnity bond. On the Automatic Conversion Date, all rights with respect to the Preferred Shares so converted shall terminate, except for any of the rights of the holder thereof, upon surrender of the holder's certificate or certificates therefor, to receive certificates for the number of Common Shares into which such Preferred Share have been converted. Upon the automatic conversion of the Preferred Shares, the holders of such Preferred Shares shall surrender the certificates representing such shares at the office of the Corporation or of its transfer agent. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed

by the registered holder or by the holder's attorney duly authorized in writing. Upon surrender of such certificates, the Corporation shall promptly issue and deliver to such holder, in such holder's name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of Common Shares into which the Preferred Shares surrendered were convertible on the Automatic Conversion Date. No fractional Common Share shall be issued upon the automatic conversion of Preferred Shares. In lieu of any fractional share to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then effective Conversion Price. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of the occurrence of any event described in Subsection 2(3), and the person or persons entitled to receive the Common Shares issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Shares on such date.

(5) Adjustments to Conversion Price.

- (a) Special Definitions. For purposes of this Subsection 2(5), the following definitions shall apply:

"Additional Common Shares" shall mean all Common Shares issued (or, pursuant to Subsection 2(5)(b), deemed to be issued) by the Corporation after the Original Issue Date, other than:

- (i) Common Shares issued or issuable upon conversion of Preferred Shares;
- (ii) Common Shares issued or to be issued pursuant to the Warrant in favour of Intel Corporation for 180,723 Preferred Shares dated on or about the Original Issue Date;
- (iii) up to 506,550 Common Shares to Furneaux & Company (Canada), LLC pursuant to an Option Agreement dated April 9, 1998;
- (iv) up to 506,550 Common Shares to Antoine Paquin pursuant to an option issued to him by the Corporation;
- (v) securities issued in connection with any stock split, stock dividend, combination of shares of the like; and
- (vi) such number of Common Shares to officers, directors or employees of or consultants to the Corporation pursuant to a stock purchase or stock option plan or other similar arrangement approved by the Board of Directors such that the total number of issued and outstanding shares which have been issued to employees, officers or directors as a result of the exercise of options granted pursuant to a stock option plan since the date of incorporation together with Common Shares

which are subject to options issued pursuant to a stock option plan since the date of incorporation is not greater than 20% of the issued and outstanding Common Shares immediately prior to such issuances.

**"Convertible Securities"** shall mean any evidences of indebtedness, shares of capital stock (other than Common Shares) or other securities directly or indirectly convertible into or exchangeable for Common Shares other than the Preferred Shares.

**"Option"** shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Common Shares or Convertible Securities other than the Warrant in favour of Intel Corporation dated on or about the Original Issue Date..

**"Original Issue Date"** shall mean the first date on which a Preferred Share was issued.

(b) Issue of Securities Deemed to be Issue of Additional Common Shares.

- (i) Options and Convertible Securities. In the event the Corporation at any time or from time to time within two years after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) of Common Shares issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Common Shares issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that Additional Common Shares shall not be deemed to be issued unless the consideration per share of such Additional Common Shares would be less than the Conversion Price in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Common Shares are deemed to be issued:

- (A) no further adjustment of the Conversion Price shall be made upon the subsequent issue of Convertible Securities or Common Shares upon the exercise of such Options or conversion or exchange of such Convertible Securities;

- (B) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the Consideration (as defined in Subsection 2(5)(d)) payable to the Corporation, or increase or decrease in the number of Common Shares issuable, upon the exercise, conversion or exchange thereof, the Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;
- (C) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if:
  - (I) in the case of the Convertible Securities or Options for Common Shares, the only Additional Common Shares issued were the Common Shares, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the Consideration received therefor was the Consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the Consideration actually received by the Corporation upon such exercise, or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional Consideration, if any, actually received by the Corporation upon such conversion or exchange; and

- (II) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the Consideration received by the Corporation for the Additional Common Shares deemed to have been then issued was the Consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the Consideration deemed to have been received by the Corporation upon the issue of the Convertible Securities with respect to which such Options were actually exercised;
  - (D) no readjustment pursuant to Clauses (B) or (C) above shall have the effect of increasing the Conversion Price to an amount which exceeds the lower of (i) the Conversion Price on the original adjustment date; and (ii) the Conversion Price that would have resulted from any issue of Additional Common Shares between the original adjustment date and such readjustment date;
  - (E) in the case of any Options which expire by their terms not more than 30 days after the date of issue thereof, no adjustment of the Conversion Price shall be made until the expiration or exercise of all such Options, whereupon such adjustment shall be made in the same manner provided in Clause (C) above; and
  - (F) if such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed therefor, the adjustment previously made in the Conversion Price which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Conversion Price shall be adjusted pursuant to this Subsection 2(5)(b) as of the actual date of their issue.
- (ii) Stock Dividends, Stock Distribution and Subdivisions. In the event the Corporation at any time or from time to time after the Original Issue Date shall declare or pay any dividend or make any other distribution on the Common Shares payable in Common Shares or effect a subdivision of the outstanding Common Shares (by reclassification or otherwise), then and in any such event, Additional Common Shares shall be deemed to have been issued:

- (A) in the case of any such dividend or distribution, immediately after the close of business on the record date for the determination of holders of any class of securities entitled to receive such dividend or distribution; or
- (B) in the case of any such subdivision, at the close of business on the date immediately prior to the date upon which such corporate action becomes effective.

If such record date shall have been fixed and no part of such dividend shall have been paid on the date fixed therefor, the adjustment previously made in the Conversion Price which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Conversion Price shall be adjusted pursuant to this Subsection 2(5)(b) as of the time of actual payment of such dividend.

- (c) Adjustment of the Conversion Price Upon Issue of Additional Common Shares. In the event that at any time or from time to time after the Original Issue Date but prior to the earlier of the completion of a Qualifying Initial Public Offering and the second anniversary of the Original Issue Date, the Corporation shall issue Additional Common Shares (including, without limitation, Additional Common Shares deemed to be issued pursuant to Subsection 2(5)(b)(i) but excluding Additional Common Shares deemed to be issued pursuant to Subsection 2(5)(b)(ii), which event is dealt with in Subsection 2(5)(e)(i), without consideration or for a Consideration Per Share [as defined in (d) below] less than the Conversion Price in effect on the date of and immediately prior to such issue, then and in such event, such Conversion Price shall be reduced, concurrently with such issue, to a price determined by multiplying the Conversion Price then in effect by a fraction, the numerator of which shall be (x) the number of Common Shares outstanding immediately prior to such issue or deemed issue plus the number of Common Shares which the aggregate consideration received by the Corporation for the total number of Additional Common Shares so issued would purchase at the Conversion Price then in effect immediately prior to such issue and the denominator of which shall be (y) the number of Common Shares outstanding immediately prior to such issue or deemed issue plus the number of Additional Common Shares so issued. For the purpose of the above calculation, the number of Common Shares outstanding immediately prior to such issue shall be calculated on a fully diluted basis, as if all Preferred Shares and Convertible Securities had been fully converted and any outstanding Options had been fully exercised.

- (d) Determination of Consideration. For purposes of this Subsection 2(5), the consideration (the "Consideration") received (or deemed to be received) or receivable by the Corporation for the issue of any Additional Common Shares (or any Additional Common Shares deemed to be issued) shall be computed as follows:

(i) Cash and Property. Such Consideration shall:

- (A) Insofar as it consists of cash, be computed at the aggregate amounts of cash received or receivable by the Corporation excluding amounts paid or payable for accrued interest or accrued dividends;
- (B) insofar as it consists of property other than cash, be computed at the fair value thereof at the time of such issue, as determined in good faith by the Board of Directors provided, however, that no value shall be attributed to any service performed by any employee, officer or director of the Corporation; and
- (C) in the event Additional Common Shares are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received or receivable, computed as provided in Subsections 2(5)(d)(i)(A) and (B) above, allocable to such Additional Common Shares as determined in good faith by the Board of Directors.

- (ii) Options and Convertible Securities. The Consideration per share (also the "Consideration Per Share", as the context requires) for Additional Common Shares deemed to have been issued pursuant to Subsection 2(5)(b)(i), relating to Options and Convertible Securities, shall be computed by dividing (x) the Consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the Instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such Consideration), payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by (y) the maximum number of Common Shares (as set forth in the Instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.



- (e) Adjustment of the Conversion Price for Dividends, Distributions, Subdivisions, Combinations or Consolidations of Common Shares.
- (i) Stock Dividends, Distributions or Subdivisions. In the event the Corporation shall be deemed to have issued Additional Common Shares pursuant to Subsection 2(5)(b)(ii) in a stock dividend, stock distribution or subdivision, the Conversion Price in effect immediately before such deemed issue shall, concurrently with the effectiveness of such deemed issue, be proportionately decreased.
  - (ii) Combinations or Consolidations. In the event the outstanding shares of Common Shares shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Shares, the Conversion Price in effect immediately prior to such combination or consolidation shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.
- (6) Adjustment for Reclassification, Exchange or Substitution. In the event that at any time or from time to time after the Original Issue Date, the Common Shares issuable upon the conversion of Preferred Shares shall be changed into the same or a different number of shares of any class or classes of stock, whether by capital reorganization, reclassification, or otherwise, then and in each such event the holder of any Preferred Shares shall have the right thereafter to convert such shares into the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification, or other change, by the holder of a number of Common Shares equal to the number of Common Shares into which such Preferred Shares might have been converted immediately prior to such reorganization, reclassification, or change, all subject to further adjustment as provided herein.
- (7) No Impairment. The Corporation shall not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, amalgamation, merger, dissolution, issue or sale of securities or any other voluntary action, including, without limitation, voluntary bankruptcy proceedings, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation but shall at all times in good faith assist in the carrying out of all the provisions of this Section 2 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the Holders of Preferred Shares under this Section 2 against impairment.
- (8) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment pursuant to this Section 2, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each affected holder of Preferred Shares a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The

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Corporation shall, upon the written request at any time of any affected holder of Preferred Shares, furnish or cause to be furnished to such holder a like certificate setting forth:

- (a) such adjustments and readjustments;
- (b) the number of Common Shares and the amount, if any, of other property which at the time would be received upon the conversion of each Preferred Share;
- (c) any amendment to the Articles of the Corporation that may adversely affect the rights of the holders of the Preferred Shares; and
- (d) the Conversion Price at the time in effect.

The holders of at least 50% of the outstanding Preferred Shares shall have the right to challenge any determination by the Board of Directors of fair value pursuant to this Section 2, in which case such determination of fair value shall be made by an independent appraiser selected jointly by the Board of Directors and the challenging parties, the cost of such appraisal to be borne equally by the Corporation and the challenging parties.

- (9) Notices of Record Date. In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend which is the same as cash dividends paid in previous quarters) or other distribution, the Corporation shall deliver to each holder of Preferred Shares at least twenty days prior to such record date a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution.
- (10) Common Shares Reserved. The Corporation shall reserve and keep available out of its authorized but unissued Common Shares such number of Common Shares as shall from time to time be sufficient to effect conversion of the Preferred Shares.
- (11) Certain Taxes. The Corporation shall pay any issue or transfer taxes payable in connection with the conversion of Preferred Shares, provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer to a name other than that of the holder of the Preferred Shares.
- (12) Closing of Books. The Corporation shall at no time close its transfer books against the transfer of any Preferred Shares or any Common Shares issued or issuable upon the conversion of any Preferred Shares in any manner which interferes with the timely conversion or transfer of such Preferred Shares or Common Shares.



### Section 3 Restrictions.

At any time when Preferred Shares are outstanding, except where the vote of the holders of a greater number of Preferred Shares is required by law or hereunder, and in addition to any other vote required by law or hereunder, without the affirmative vote of the holders of at least two-thirds of the then outstanding Preferred Shares (with calculations based upon the number of Common Shares into which such Preferred Shares are then convertible), voting collectively as a single class, the Corporation will not:

- (a) make any amendment, or change any of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of the Preferred Shares;
- (b) create or authorize the creation of, or increase or authorize any increase in the number of authorized shares of any class or series of capital stock of the Corporation having voting, liquidation or dividend rights equal or superior to the Preferred Shares;
- (c) issue any shares, or any rights, options or warrants to acquire shares or any security convertible into shares, of any class or series of capital stock of the Corporation having liquidation or dividend rights equal or superior to the Preferred Shares; or
- (d) redeem any shares of its capital stock other than pursuant to Section 6.

### Section 4 Voting Rights.

The holders of Preferred Shares shall be entitled to notice of any meeting of shareholders and, except with respect to the matters set forth in Section 3 or as otherwise required by law, shall vote together with the holders of Common Shares as a single class upon any matter submitted to the shareholders for a vote, on the following basis:

- (a) holders of Common Shares shall have one vote per share; and
- (b) holders of Preferred Shares shall have that number of votes per share as is equal to the number of Common Shares (including fractions of a share) into which each such Preferred Share held by such holder could be converted on the date for determination of shareholders entitled to vote at the meeting or on the date of any written consent.

### Section 5 Dividends.

- (1) The Corporation shall not declare or pay any distribution on Common Shares until the holders of outstanding Preferred Shares shall have first received, or simultaneously received out of the funds legally available therefor, a distribution on each outstanding Preferred Share in an amount at least equal to the product of (i) the per share amount, if any, of the dividends or other distributions to be declared, paid or set aside for the Common

Shares, multiplied by, (ii) the number of Common Shares into which a Preferred Share is then convertible.

- (2) Subject to Subsection 5(1), dividends may be declared and paid on Common Shares from funds lawfully available therefor as and when determined by the Board of Directors of the Corporation provided that such declaration and payment is approved of by a majority of the holders of all issued and outstanding shares in the capital of the Corporation.

#### Section 6 Notices.

In the event that the Corporation shall propose at any time:

- (a) to declare any dividend or distribution upon its Common Shares, whether in cash, property, stock or other securities, whether or not a regular cash dividend and whether or not out of earnings or earned surplus;
- (b) to offer for subscription *pro rata* to the holders of any class or series of its stock any additional shares of stock of any class or series or other rights;
- (c) to effect any reclassification or recapitalization of its Common Shares outstanding involving a change in the Common Shares; or
- (d) to merge or consolidate with or into any other corporation, or sell, lease or convey all or substantially all its property or business, or to liquidate, dissolve or wind up, then, in connection with each such event, the Corporation shall send to the holders of the Preferred Shares:
  - (i) at least 20 day's prior written notice of the date on which a record shall be taken for such dividend, distribution or subscription rights (and specifying the date on which the holders of Common Shares shall be entitled thereto) or for determining rights to vote in respect of the matters referred to in (c) and (d) above; and
  - (ii) in the case of the matters referred to in (c) and (d) above, at least 20 day's prior written notice of the date when the same shall take place (and specifying the date on which the holders of Common Shares shall be entitled to exchange their Common Shares for securities or other property deliverable upon the occurrence of such event).

Each such written notice shall be delivered personally or given by first class mail, postage prepaid, addressed to the holders of the Preferred Shares at the address for each such holder as shown in the books of the Corporation.

**Section 7 Residual Rights.**

All rights accruing to the outstanding shares of the Corporation not expressly provided for to the contrary herein shall be vested in the Common Shares.

**RESTRICTIONS ON TRANSFER**

To delete the restrictions on the transfer of shares of the Corporation set forth in paragraph 8 of the Articles of Incorporation of the Corporation and replace with the following:

The right to transfer shares in the capital of the Corporation is restricted in that no shares shall be transferred without:

- a) the approval of the shareholders of the Corporation evidenced by either:
  - i) a resolution passed at a meeting of the shareholders having voting rights; or
  - ii) by an instrument or instruments in writing signed by the holders of not less than 51% of the shares having voting rights; or
- b) the approval of the directors of the Corporation evidenced by either:
  - i) a resolution passed at a meeting of the directors; or
  - ii) by an instrument or instruments in writing signed by all of the directors; or
- c) approval in accordance with the provisions of a shareholders agreement among all of the shareholders of the Corporation and the Corporation.

5. The amendment has been duly authorized as required by Sections 168 & 170 (as applicable) of the Business Corporations Act.

*La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la Loi sur les sociétés par actions.*

6. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on

*Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le*

1999/01/22

(Year, Month, Day)  
(année, mois, jour)

These articles are signed in duplicate.

*Les présents statuts sont signés en double exemplaire.*

CHRYSLIS-ITS INCORPORATED

(Name of Corporation)  
(Dénomination sociale de la société)

By/Par:



(Signature)  
(Signature)

Steven Baker, President

(Description of Office)  
(Fonction)

Ontario Corporation Number  
Nombre de la société en Ontario

Ministère de  
la Consommation  
et du Commerce

## CERTIFICAT

Ceci certifie que les présents statuts entrent en vigueur le .

FEERUARY 25 FEVRIER 1999

**ARTICLES OF AMENDMENT  
STATUTS DE MODIFICATION**

**Formula J**  
**Loi sur les**  
**sociétés par**  
**actions**

**Dénomination sociale de la société:**

[illegible][illegible]

**Date de la constitution ou de la fusion:**

1994/07/29

(Year, Month, Day)  
(année, mois, jour)

4. The articles of the corporation are amended as follows: Les statuts de la société sont modifiés de la façon suivante:

The articles of the Corporation are amended in accordance with the provisions set forth on Page 1(a) hereof.

4 PAID 4  
FEB 25 1993

DATE

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1. To delete the following provisions contained in paragraph 9 of the Articles of Incorporation:

- "(A) The number of shareholders of the corporation exclusive of persons who are in its employment and exclusive of persons who, having formerly been in the employment of the corporation, were, while in that employment, and have continued after the termination of that employment to be shareholders of the corporation, is limited to not more than fifty, two or more persons who are the joint registered owners of one or more shares being counted as one shareholder.
  - (B) Any invitation to the public to subscribe for securities of the corporation is prohibited."

5. The amendment has been duly authorized as required by Sections 168 & 170 (as applicable) of the Business Corporations Act.

*La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la Loi sur les sociétés par actions.*

6. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on

*Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le*

1999/02/25

(Year, Month, Day)  
(année, mois, jour)

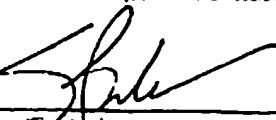
These articles are signed in duplicate.

*Les présents statuts sont signés en double exemplaire.*

**CHRYSLIS-ITS INCORPORATED**

(Name of Corporation)  
(Dénomination sociale de la société)

By/Par:

  
(Signature)  
(Signature)

**PRESIDENT**

(Description of Office)  
(Fonction)

001085116



Ministry of  
Consumer and  
Commercial Relations

Ministère de  
la Consommation  
et du Commerce

**CERTIFICATE**  
This is to certify that these  
articles are effective on

**CERTIFICAT**  
Ceci certifie que les présents  
statuts entrent en vigueur le

**JANUARY 1 0 JANVIER, 2000**

*Paul D. Linn* (4)  
Director / Directeur  
Business Corporations Act / Loi sur les sociétés par actions

**ARTICLES OF AMENDMENT  
STATUTS DE MODIFICATION**

Form 3  
Business  
Corporations  
Act

Formule  
numéro 3  
Loi sur les  
sociétés par  
actions

1. The name of the corporation is: *Dénomination sociale de la société:*  
**CHRYSA LITS - LITS INCORPORATED**

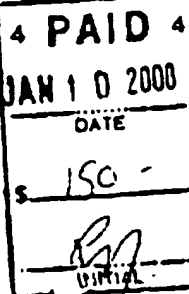
2. The name of the corporation is changed to (if applicable) *Nouvelle dénomination sociale de la société (s'il y a lieu):*

3. Date of incorporation/amalgamation: *Date de la constitution ou de la fusion:*  
**29 - July - 1994**

(Day, Month, Year)  
(jour, mois, année)

4. The articles of the corporation are amended as follows: *Les statuts de la société sont modifiés de la façon suivante.*

The articles of the Corporation are amended in accordance with the provisions set forth on Pages 1(A) to 1(T) hereof.



## CHRYSLIS-ITS INCORPORATED

- (A) To redesignate the authorized, issued and outstanding Preferred shares into Class A Preferred shares (the "Class A Preferred Shares");
- (B) To increase the authorized capital of the Corporation by the creation of an unlimited number of Class B Preferred shares (the "Class B Preferred Shares") so that the classes and any maximum number of shares that the Corporation is authorized to issue shall be an unlimited number of common shares (the "Common Shares"), an unlimited number of Class A Preferred Shares and an unlimited number of Class B Preferred Shares.
- (C) To delete the rights privileges restrictions and conditions attaching to the Class A Preferred Shares (as redesignated herein) and to provide that the Class A Preferred Shares, the Class B Preferred Shares and the Common Shares of the Corporation shall have attached thereto the following rights, privileges, restrictions and conditions:

### Section 1    Liquidation Rights.

- (1) Liquidated Payments. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of each Class B Preferred Share shall be entitled preferentially to be paid first out of the assets of the Corporation available for distribution to holders of the Corporation's capital stock of all classes an amount equal to the greater of:
  - (a) U.S.\$4.72 (the "Minimum Purchase Price") per Class B Preferred Share (such amount to be proportionately adjusted for stock splits, stock dividends, stock combinations, stock recapitalizations and similar events); or
  - (b) such amount per Class B Preferred Share as would have been payable had all Class B Preferred Shares been converted to Common Shares pursuant to the provisions of Section 2 immediately prior to such event of liquidation, dissolution or winding up.

If all assets of the Corporation shall be insufficient to permit the payment in full to the holders of Class B Preferred Shares of all amounts so distributable to them, then the entire assets of the Corporation available for such distribution shall be distributed rateably among the holders of Class B Preferred Shares in proportion to the full preferential amount each such holder is otherwise entitled to receive.

After such payments shall have been made in full to the holders of the Class B Preferred Shares, or funds necessary for such payments shall have been set aside by the Corporation in trust for the account of holders of Class B Preferred Shares so as to be available for such payments, the holders of the Class A Preferred Shares shall be entitled to be paid an amount equal to the greater of:

- (c) U.S.\$1.66 (the "Minimum Purchase Price") per Class A Preferred Share (such amount to be proportionately adjusted for stock splits, stock dividends, stock combinations, stock recapitalizations and similar events); or
- (d) Such amount per Class A Preferred Share as would have been payable had all Class A Preferred Shares been converted to Common Shares pursuant to the provisions of Section 2 immediately prior to such event of liquidation, dissolution or winding up.

If, after distribution to the holders of the Class B Preferred Shares, the remaining assets of the Corporation available for distribution to the holders of the Class A Preferred Shares shall be insufficient to permit the payment in full to the holders of Class A Preferred Shares of all amounts so distributable to them, then the entire remaining assets of the Corporation available for such distribution shall be distributed rateably among the holders of Class A Preferred Shares in proportion to the full preferential amount each such holder otherwise entitled to receive.

After such payments shall have been made in full to the holders of the Class B Preferred Shares and the Class A Preferred Shares, or funds necessary for such payments shall have been set aside by the Corporation in trust for the account of holders of Class B Preferred Shares and the Class A Preferred Shares so as to be available for such payments, any remaining assets available for distribution shall be distributed among the holders of the Common Shares rateably in proportion to the number of Common Shares held by each of them.

After conversion of the Class B Preferred Shares or the Class A Preferred Shares into Common Shares pursuant to Section 2, the holder of such Common Shares shall not be entitled to any preferential payment or distribution in case of any liquidation, dissolution or winding up, but shall share rateably in any distribution of the assets of the Corporation among the holders of Common Shares.

The amounts payable with respect to Class B Preferred Shares or Class A Preferred Shares, as the case may be, under this Section 1(1) are hereinafter referred to as ("Preferred Share Liquidation Payments").

- (2) Distribution Other than Cash. Whenever the distributions provided for in this Section 1 shall be payable in property other than cash, the value of such distribution shall be the fair market value of such property as determined in good faith by the Board of Directors of the Corporation.
- (3) Sale of Assets as Liquidation, Etc. A consolidation or merger of the Corporation with or into any other corporation or corporations in which the Corporation's shareholders do not retain a majority of the voting power in the surviving corporation, or a sale, conveyance or disposition of all or substantially all of the assets of the Corporation, the effectuation by the Corporation of a transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of, or a dividend in one or a series of transactions to the Corporation's shareholders of greater than 25% of the total assets of the Corporation (each, a "Liquidity Event"), shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Corporation for purposes of this Section 1. All consideration received by the Corporation in a Liquidity Event together with all other available assets of the Corporation shall be distributed as provided for in Section 1(1).
- (4) Notice. Written notice of any proposed liquidation, dissolution or winding up of the affairs of the Corporation (including any Liquidity Event), stating a payment date, the amount of the Preferred Share Liquidation Payments and the place where such Preferred Share Liquidation Payments shall be payable, shall be delivered to the holders of Class B Preferred Shares and the holders of Class A Preferred Shares not less than 45 days prior to the proposed date of such proposed liquidation, dissolution or winding up.

## Section 2 Conversion.

The holders of Class B Preferred Shares and the holders of Class A Preferred Shares shall have conversion rights as follows (respectively, the "Class B Conversion Rights" and the "Class A Conversion Rights"):

### (1) Optional Conversion.

- (a) Class B Optional Conversion Rights: Each Class B Preferred Share shall be convertible, without the payment of any additional consideration by the holder thereof and at the option of the holder thereof, at any time after the Original Issue Date (as hereinafter defined) at the office of the Corporation or any transfer agent for the Class B Preferred Shares, into such number of fully paid and non-

assessable Common Shares as is determined by making the following calculation: Each Class B Preferred Share shall be converted into that number of fully paid and non-assessable Common Shares determined by multiplying each such Class B Preferred Share by the ratio determined by dividing U.S.\$4.72 by the conversion price, determined as hereinafter provided, in effect at the time of conversion. The conversion price at which Common Shares will be deliverable upon conversion of Class B Preferred Shares without the payment of any additional consideration by the holder thereof (the "Class B Conversion Price") shall initially be U.S.\$4.72 per Common Share.

(b) Class A Optional Conversion Rights: Each Class A Preferred Share shall be convertible, without the payment of any additional consideration by the holder thereof and at the option of the holder thereof, at any time after the Original Issue Date (as hereinafter defined) at the office of the Corporation or any transfer agent for the Class A Preferred Shares, into such number of fully paid and non-assessable Common Shares as is determined by making the following calculation: Each Class A Preferred Share shall be converted into that number of fully paid and non-assessable Common Shares determined by multiplying each such Class A Preferred Share by the ratio determined by dividing U.S.\$1.66 by the conversion price, determined as hereinafter provided, in effect at the time of conversion. The conversion price at which Common Shares will be deliverable upon conversion of Class A Preferred Shares without the payment of any additional consideration by the holder thereof (the "Class A Conversion Price") shall initially be U.S.\$1.66 per Common Share.

(2) Mechanics of Optional Conversions for Holders of Class B Preferred Shares and Holders of Class A Preferred Shares. Before any holder of Class B Preferred Shares or Class A Preferred Shares shall be entitled to convert the same into Common Shares, the holder shall surrender the certificate or certificates therefor at the office of the Corporation or of any transfer agent for the Class B Preferred Shares or Class A Preferred Shares, as the case may be, and shall give written notice to the Corporation at such office that the holder elects to convert the same and shall state therein the holder's name or the name or, subject to any legal or contractual restrictions on transfer thereof, names of the holder's nominees in which the holder wishes the certificate or certificates for Common Shares to be issued and such notice shall be accompanied by an agreement in form satisfactory to the Corporation acting reasonably by which the person(s) in whose name the Common Shares are to be issued agrees to be bound by the provisions of any applicable shareholders' agreement of the Corporation if such person is not already a

party to such agreements. On the date of conversion, all rights with respect to the Class B Preferred Shares or Class A Preferred Shares, as the case may be, so converted shall terminate, except for any of the rights of the holder thereof, upon surrender of the holder's certificate or certificates therefor, to receive certificates for the number of Common Shares into which such Class B Preferred Shares or Class A Preferred Shares, as the case may be, have been converted. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by the holder's attorney duly authorized in writing. No fractional Common Share shall be issued upon the optional conversion of Class B Preferred Shares or Class A Preferred Shares. In lieu of any fractional share to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then effective Class B or Class A Conversion Price, as applicable. The Corporation shall, as soon as practicable after surrender of the certificate or certificates for conversion, issue and deliver at such office to such holder of Class B Preferred Shares or Class A Preferred Shares, as the case may be, or, subject to any legal or contractual restrictions on transfer thereof, to the holder's nominee or nominees, a certificate or certificates for the number of Common Shares to which the holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the Class A Preferred Shares or Class B Preferred Shares, as the case may be, to be converted, and the person or persons entitled to receive the Common Shares issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Shares on such date.

(3) Automatic Conversion.

(a) Class B Automatic Conversion Rights: Each Class B Preferred Share shall be converted automatically into the number of Common Shares at the then effective Class B Conversion Price, upon the happening of any of the following events:

- (i) closing of an offering or offerings pursuant to a receipted prospectus under the *Securities Act* (Ontario), as amended, or similar document filed under other applicable securities laws in Canada or the United States, covering the offer and sale of Common Shares for the account of the Corporation to the public in which the Common Shares are listed on a senior stock exchange in Canada, a national securities exchange as defined in the United States of America *Securities Exchange Act of 1934* or Nasdaq National Market (each an "Exchange") and:



1(F)

- (A) the net proceeds to the Corporation from such offering or offerings aggregate not less than U.S.\$40,000,000 the public offering price of which is not less than U.S.\$10 per share adjusted to take account of any dividend, combination of shares, or the like; or
- (B) the closing trading price of the Common Shares on such Exchange has been at least U.S.\$12 per share (adjusted to take account of any dividend, combination of shares, or the like) for 30 consecutive trading days;

(the foregoing each being hereinafter referred to as a "Class B Qualified Liquidity Event").

(b) Class A Automatic Conversion Rights: Each Class A Preferred Share shall be converted automatically into Common Shares at the then effective Class A Conversion Price upon the closing of an offering or offerings pursuant to a receipted prospectus under the Securities Act (Ontario), as amended, or similar document filed under other applicable securities laws in Canada or the United States, covering the offer and sale of Common Shares for the account of the Corporation to the public in which:

- (i) the Common Shares are listed on an Exchange;
- (ii) the net proceeds to the Corporation from such offering or offerings aggregate not less than U.S.\$15,000,000, and
- (iii) the public offering price of which is not less than U.S.\$4.98 per share adjusted to take account of any dividend, combination of shares, or the like;

(the foregoing each being hereinafter referred to as a "Class A Qualified Liquidity Event").

- (4) Mechanics of Automatic Conversions for Holders of Class B Preferred Shares and Holders of Class A Preferred Shares. Upon the occurrence of an event specified in Section 2(3)(a) in the case of the Class B Preferred Shares and Section 2(3)(b) in the case of the Class A Preferred Shares, the Class B Preferred Shares or Class A Preferred Shares, as the case may be, shall be converted automatically without any further action by the holders thereof and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent; provided, however, that all holders of Class B Preferred Shares or Class A Preferred Shares being converted shall be given written notice of the occurrence of an event specified in Section 2(3)

including the date such event occurred (the "Automatic Conversion Date"), and the Corporation shall not be obligated to issue certificates evidencing the Common Shares issuable upon such conversion unless certificates evidencing such Class B Preferred Shares or Class A Preferred Shares being converted are either delivered to the Corporation or its transfer agent, or the holder notifies the Corporation or any transfer agent that such certificates have been lost, stolen, or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection therewith and, if the Corporation so elects, provides an appropriate indemnity bond. On the Automatic Conversion Date, all rights with respect to the Class B Preferred Shares or Class A Preferred Shares so converted shall terminate, except for any of the rights of the holder thereof, upon surrender of the holder's certificate or certificates therefor, to receive certificates for the number of Common Shares into which such Class B Preferred Shares or Class A Preferred Share have been converted. Upon the automatic conversion of the Class B Preferred Shares or Class A Preferred Shares, the holders of such Class B Preferred Shares or Class A Preferred Shares shall surrender the certificates representing such shares at the office of the Corporation or of its transfer agent. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by the holder's attorney duly authorized in writing. Upon surrender of such certificates, the Corporation shall promptly issue and deliver to such holder, in such holder's name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of Common Shares into which the Class B Preferred Shares or Class A Preferred Shares surrendered were convertible on the Automatic Conversion Date. No fractional Common Share shall be issued upon the automatic conversion of Class B Preferred Shares or Class A Preferred Shares. In lieu of any fractional share to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then effective Class B Conversion Price or Class A Conversion Price, as applicable. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of the occurrence of any event described in Section 2(3), and the person or persons entitled to receive the Common Shares issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Shares on such date.

(5) Adjustments to Class B or Class A Conversion Price.

- (a) Special Definitions. For purposes of this Section 2(5), the following definitions shall apply:

"Additional Common Shares" shall mean all Common Shares issued (or, pursuant to Section 2(5)(b), deemed to be issued) by the Corporation after the Original Issue Date, other than:

- (i) Common Shares issued or issuable upon conversion of Class B Preferred Shares or Class A Preferred Shares, as the case may be;
- (ii) Common Shares issued or to be issued pursuant to the Warrant in favour of Intel Corporation for 180,723 Preferred Shares (as redesignated as Class A Preferred Shares herein) dated on or about the Original Issue Date;
- (iii) up to 506,550 Common Shares to Furneaux & Company (Canada), LLC pursuant to an Option Agreement dated April 9, 1998;
- (iv) up to 506,550 Common Shares to Antoine Paquin pursuant to an option issued to him by the Corporation dated April 9, 1998;
- (v) securities issued in connection with any stock split, stock dividend, combination of shares of the like; and
- (vi) such number of Common Shares to officers, directors or employees of or consultants to the Corporation pursuant to a stock purchase or stock option plan or other similar arrangement approved by the Board of Directors such that the total number of issued and outstanding shares which have been issued to employees, officers or directors as a result of the exercise of options granted pursuant to a stock option plan since the date of incorporation together with Common Shares which are subject to options issued pursuant to a stock option plan since the date of incorporation is not greater than 20% of the sum of the following: (A) the number of issued and outstanding Common Shares and Class B Preferred Shares and Class A Preferred Shares (on an as converted basis including the Warrant referred to in (ii) above); and (B) the number of outstanding options granted under such stock option plans.

"Convertible Securities" shall mean any evidences of indebtedness, shares of capital stock (other than Common Shares) or other securities directly or indirectly convertible into or exchangeable for Common Shares other than the Class B Preferred Shares or Class A Preferred Shares.

"Option" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Common Shares or Convertible Securities, other than the Warrant in favour of Intel Corporation dated on or about the Original Issue Date.

"Original Issue Date" shall mean the first date on which a Class B Preferred Shares or Class A Preferred Share, as the case may be, was issued.

(b) Issue of Securities Deemed to be Issue of Additional Common Shares.

(i) Options and Convertible Securities. In the event the Corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) of Common Shares issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Common Shares issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that Additional Common Shares shall not be deemed to be issued unless the consideration per share of such Additional Common Shares would be less than the Class B or Class A Conversion Price, as applicable, in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Common Shares are deemed to be issued:

- (A) no further adjustment of the Class B or Class A Conversion Price, as applicable, shall be made upon the subsequent issue of Convertible Securities or Common Shares upon the exercise of such Options or conversion or exchange of such Convertible Securities;
- (B) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the Consideration (as defined in Section 2(5)(d)) payable to the Corporation, or increase or

decrease in the number of Common Shares issuable, upon the exercise, conversion or exchange thereof, the Class B or Class A Conversion Price, as applicable, computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;

- (C) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Class B or Class A Conversion Price, as applicable, computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if:
  - (I) in the case of the Convertible Securities or Options for Common Shares, the only Additional Common Shares issued were the Common Shares, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the Consideration received therefor was the Consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the Consideration actually received by the Corporation upon such exercise, or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional Consideration, if any, actually received by the Corporation upon such conversion or exchange; and
  - (II) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the Consideration received by the Corporation for the Additional Common Shares deemed to have been then issued was the Consideration actually received by the Corporation for the issue of all

such Options, whether or not exercised, plus the Consideration deemed to have been received by the Corporation upon the issue of the Convertible Securities with respect to which such Options were actually exercised;

- (D) no readjustment pursuant to Clauses (B) or (C) above shall have the effect of increasing the Class B or Class A Conversion Price, as applicable, to an amount which exceeds the lower of (i) the Class B or Class A Conversion Price, as applicable, on the original adjustment date; and (ii) the Class B or Class A Conversion Price, as applicable, that would have resulted from any issue of Additional Common Shares between the original adjustment date and such readjustment date;
  - (E) in the case of any Options which expire by their terms not more than 30 days after the date of issue thereof, no adjustment of the Class B or Class A Conversion Price, as applicable, shall be made until the expiration or exercise of all such Options, whereupon such adjustment shall be made in the same manner provided in Clause (C) above; and
  - (F) if such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed therefor, the adjustment previously made in the Class B or Class A Conversion Price, as applicable, which became effective on such record date shall be cancelled as of the close of business on such record date, and thereafter the Class B and Class A Conversion Price, as applicable, shall be adjusted pursuant to this Section 2(5)(b) as of the actual date of their issue.
- (ii) Stock Dividends, Stock Distribution and Subdivisions. In the event the Corporation at any time or from time to time after the Original Issue Date shall declare or pay any dividend or make any other distribution on the Common Shares payable in Common Shares or effect a subdivision of the outstanding Common Shares (by reclassification or otherwise), then and in any such event, Additional Common Shares shall be deemed to have been issued:

- (A) in the case of any such dividend or distribution, immediately after the close of business on the record date for the determination of holders of any class of securities entitled to receive such dividend or distribution; or
- (B) in the case of any such subdivision, at the close of business on the date immediately prior to the date upon which such corporate action becomes effective.

If such record date shall have been fixed and no part of such dividend shall have been paid on the date fixed therefor, the adjustment previously made in the Class B or Class A Conversion Price, as applicable, which became effective on such record date shall be cancelled as of the close of business on such record date, and thereafter the Class B or Class A Conversion Price, as applicable, shall be adjusted pursuant to this Section 2(5)(b) as of the time of actual payment of such dividend.

(c) Adjustment of the Class B and Class A Conversion Price Upon Issue of Additional Common Shares.

- (i) Adjustment of the Class B Conversion Price Upon Issue of Additional Common Shares In the event that at any time or from time to time after the Original Issue Date but prior to the completion of a Class B Qualified Liquidity Event, the Corporation shall issue Additional Common Shares (including, without limitation, Additional Common Shares deemed to be issued pursuant to Section 2(5)(b)(i) but excluding Additional Common Shares deemed to be issued pursuant to Section 2(5)(b)(ii), which event is dealt with in Section 2(5)(e)(i), without consideration or for a Consideration Per Share (as defined in (d) below) less than the Class B Conversion Price, in effect on the date of and immediately prior to such issue, then and in such event, such Class B Conversion Price, shall be reduced, concurrently with such issue, to the price at which such Additional Common Shares are issued.
- (ii) Adjustment of the Class A Conversion Price Upon Issue of Additional Common Shares In the event that at any time or from time to time after the Original Issue Date but prior to the earlier of the completion of a Class A Qualified Liquidity Event, and the second anniversary of the Original Issue Date, the Corporation shall issue Additional Common Shares (including,

without limitation, Additional Common Shares deemed to be issued pursuant to Section 2(5)(b)(i) but excluding Additional Common Shares deemed to be issued pursuant to Section 2(5)(b)(ii), which event is dealt with in Section 2(5)(c)(i), without consideration or for a Consideration Per Share (as defined in (d) below) less than the Class A Conversion Price, in effect on the date of and immediately prior to such issue, then and in such event, such Class A Conversion Price, shall be reduced, concurrently with such issue, to a price determined by multiplying the Class A Conversion Price, then in effect by a fraction, the numerator of which shall be (x) the number of Common Shares outstanding immediately prior to such issue or deemed issue plus the number of Common Shares which the aggregate consideration received by the Corporation for the total number of Additional Common Shares so issued would purchase at the Class A Conversion Price, then in effect immediately prior to such issue and the denominator of which shall be (y) the number of Common Shares outstanding immediately prior to such issue or deemed issue plus the number of Additional Common Shares so issued. For the purpose of the above calculation, the number of Common Shares outstanding immediately prior to such issue shall be calculated on a fully diluted basis, as if all Class B Preferred Shares and Class A Preferred Shares and Convertible Securities had been fully converted and any outstanding Options had been fully exercised.

- (d) Determination of Consideration. For purposes of this Section 2(5), the consideration (the "Consideration") received (or deemed to be received) or receivable by the Corporation for the issue of any Additional Common Shares (or any Additional Common Shares deemed to be issued) shall be computed as follows:

- (i) Cash and Property. Such Consideration shall:

- (A) insofar as it consists of cash, be computed at the aggregate amounts of cash received or receivable by the Corporation excluding amounts paid or payable for accrued interest or accrued dividends;
- (B) insofar as it consists of property other than cash, be computed at the fair value thereof at the time of such issue, as determined in good faith by the Board of Directors provided, however, that no value shall be



attributed to any service performed by any employee, officer or director of the Corporation; and

- (C) in the event Additional Common Shares are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received or receivable, computed as provided in Section 2(5)(d)(i)(A) and Section 2(5)(d)(i)(B) above, allocable to such Additional Common Shares as determined in good faith by the Board of Directors.

- (ii) Options and Convertible Securities. The Consideration per share (also the "Consideration Per Share", as the context requires) for Additional Common Shares deemed to have been issued pursuant to Section 2(5)(b)(i), relating to Options and Convertible Securities, shall be computed by dividing (x) the Consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such Consideration), payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by (y) the maximum number of Common Shares (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

- (e) Adjustment of the Class B and/or Class A Conversion Price for Dividends, Distributions, Subdivisions, Combinations or Consolidations of Common Shares.

- (i) Stock Dividends, Distributions or Subdivisions. In the event the Corporation shall be deemed to have issued Additional Common Shares pursuant to Section 2(5)(b)(ii) in a stock dividend, stock distribution or subdivision, the Class B or Class A Conversion Price, as applicable, in effect immediately before such deemed issue shall, concurrently with the effectiveness of such deemed issue, be proportionately decreased.

- (ii) Combinations or Consolidations. In the event the outstanding Common Shares shall be combined or consolidated, by reclassification or otherwise, into a lesser number of Common Shares, the Class B or Class A Conversion Privileges applicable, in effect immediately prior to such combination or consolidation shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.
- (6) Adjustment for Reclassification, Exchange or Substitution. In the event that at any time or from time to time after the Original Issue Date, the Common Shares issuable upon the conversion of Class B Preferred Shares or Class A Preferred Shares shall be changed into the same or a different number of shares of any class or classes of stock, whether by capital reorganization, reclassification, or otherwise, then and in each such event, the holder of any Class B Preferred Shares or Class A Preferred Shares shall have the right thereafter to convert such shares into the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification, or other change, by the holder of a number of Common Shares equal to the number of Common Shares into which such Class B Preferred Shares or Class A Preferred Shares might have been converted immediately prior to such reorganization, reclassification, or change, all subject to further adjustment as provided herein.
- (7) No Impairment. The Corporation shall not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, amalgamation, merger, dissolution, issue or sale of securities or any other voluntary action, including, without limitation, voluntary bankruptcy proceedings, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation but shall at all times in good faith assist in the carrying out of all the provisions of this Section 2 and in the taking of all such action as may be necessary or appropriate in order to protect the Class B and Class A Conversion Rights of the holders of Class B Preferred Shares and the holders of Class A Preferred Shares under this Section 2 against impairment.
- (8) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment pursuant to this Section 2, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each affected holder of Class B Preferred Shares or Class A Preferred Shares, as the case may be, a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any affected holder of Class B Preferred Shares or Class

A Preferred Shares, as the case may be, furnish or cause to be furnished to such holder a like certificate setting forth:

- (a) such adjustments and readjustments;
- (b) the number of Common Shares and the amount, if any, of other property which at the time would be received upon the conversion of each Class B Preferred Shares or Class A Preferred Share, as the case may be;
- (c) any amendment to the Articles of the Corporation that may adversely affect the rights of the holders of the Class B Preferred Shares or Class A Preferred Shares, as the case may be; and
- (d) the Class B or Class A Conversion Price, as applicable, at the time in effect.

The holders of at least 50% of the outstanding Class B Preferred Shares or Class A Preferred Shares, as applicable, shall have the right to challenge any determination by the Board of Directors of fair value pursuant to this Section 2, in which case such determination of fair value shall be made by an independent appraiser selected jointly by the Board of Directors and the challenging parties, the cost of such appraisal to be borne by the Corporation.

- (9) Notices of Record Date. In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend which is the same as cash dividends paid in previous quarters) or other distribution, the Corporation shall deliver to each holder of Class B Preferred Shares or Class A Preferred Shares, as applicable, at least twenty days prior to such record date a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution.
- (10) Common Shares Reserved. The Corporation shall reserve and keep available out of its authorized but unissued Common Shares such number of Common Shares as shall from time to time be sufficient to effect conversion of the Class B Preferred Shares and Class A Preferred Shares.
- (11) Certain Taxes. The Corporation shall pay any issue or transfer taxes payable in connection with the conversion of the Class B Preferred Shares and Class A Preferred Shares, provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer to a name other than that of the holder of the Class B Preferred Shares and Class A Preferred Shares.

#### Section 4 Voting Rights.

(a) The holders of Class B Preferred Shares and the holders of Class A Preferred Shares shall be entitled to notice of any meeting of shareholders and, except with respect to the matters set forth in Section 3 or as otherwise required by law, shall vote together with the holders of Common Shares as a single class upon any matter submitted to the shareholders for a vote, on the following basis:

- (i) holders of Common Shares shall have one vote per share; and
- (ii) holders of Class B Preferred Shares and holders of Class A Preferred Shares shall have that number of votes per share as is equal to the number of Common Shares (including fractions of a share) into which each such Class B Preferred Shares and Class A Preferred Share, as applicable, held by such holder could be converted on the date for determination of shareholders entitled to vote at the meeting or on the date of any written consent.

(b) The holders of Class A Preferred Shares and Class B Preferred Shares shall not be entitled to vote as a separate class pursuant to Section 176(3), 170 (1)(a), (b) or (c), or 182(4) of the Act in respect of a bona fide offer in writing from any person to purchase all of the issued and outstanding securities of the Corporation by way of an amalgamation, arrangement or reorganization whereby the consideration to be received by the holders of Common Shares, Class A Preferred Shares and Class B Preferred Shares (on an as converted to and per Common Share basis) is:

- (i) cash, representing a price of not less than US\$10.00 (or Canadian dollar equivalent) per Common Share, Class A Preferred Share and Class B Preferred Share (each on an as converted to Common Share basis) share, adjusted to take account of any stock dividend, subdivision or consolidation of shares, or the like; or
- (ii) securities which are listed and posted for trading on a senior stock exchange in Canada, a national securities exchange as defined in the United States of America *Securities Exchange Act of 1934* or Nasdaq National Market, and are freely tradeable ("Freely-Tradeable Shares") having a closing market price on the trading date immediately preceding the date of the notice of such bona fide offer of not less than US\$10.00 (or Canadian dollar equivalent) per Freely-Tradeable Share, adjusted to take account of any stock dividend, subdivision or consolidation of the Corporation's shares, or the like, or securities which are convertible or exchangeable at any time at the unconditional option of the holder thereof into such Freely-Tradeable Shares without any additional compensation; or

- (iii) any combination of (i) and (ii) above where the aggregate consideration referred to in (i) and (ii) above has a value of not less than US\$10.00 (or Canadian dollar equivalent) per Common Share, Class A Preferred Share and Class B Preferred Share (each on an as converted to Common Share basis), adjusted to take account of any stock dividend, subdivision or consolidation of shares, or the like.

#### Section 5 Dividends.

- (1) The Corporation shall not declare or pay any distribution on Common Shares until, first, the holders of outstanding Class B Preferred Shares and the holders of outstanding Class A Preferred Shares shall have received, or simultaneously received out of the funds legally available therefor, a distribution on each outstanding Class B Preferred Shares or Class A Preferred Share, as the case may be, in an amount at least equal to the product of (i) the per share amount, if any, of the dividends or other distributions to be declared, paid or set aside for the Common Shares, multiplied by, (ii) the number of Common Shares into which a Class B Preferred Shares or Class A Preferred Share, as the case may be, is then convertible.
- (2) Subject to Section 5(1), dividends may be declared and paid on Common Shares from funds lawfully available therefor as and when determined by the Board of Directors of the Corporation provided that such declaration and payment is approved of by a majority of the holders of all issued and outstanding shares in the capital of the Corporation.

#### Section 6 Notices.

In the event that the Corporation shall propose at any time:

- (a) to declare any dividend or distribution upon its Common Shares, whether in cash, property, stock or other securities, whether or not a regular cash dividend and whether or not out of earnings or earned surplus;
- (b) to offer for subscription *pro rata* to the holders of any class or series of its stock any additional shares of stock of any class or series or other rights;
- (c) to effect any reclassification or recapitalization of its Common Shares outstanding involving a change in the Common Shares; or
- (d) to merge or consolidate with or into any other corporation, or sell, lease or convey all or substantially all its property or business, or to liquidate, dissolve or wind up,

then, in connection with each such event, the Corporation shall send to the holders of the Class B Preferred Shares and the holders of Class A Preferred Shares:

- (i) at least 20 day's prior written notice of the date on which a record shall be taken for such dividend, distribution or subscription rights (and specifying the date on which the holders of Common Shares shall be entitled thereto) or for determining rights to vote in respect of the matters referred to in (c) and (d) above; and
- (ii) in the case of the matters referred to in (c) and (d) above, at least 20 day's prior written notice of the date when the same shall take place (and specifying the date on which the holders of Common Shares shall be entitled to exchange their Common Shares for securities or other property deliverable upon the occurrence of such event).

Each such written notice shall be delivered personally or given by first class mail, postage prepaid, addressed to the holders of the Class B Preferred Shares and the holders of the Class A Preferred Shares at the address for each such holder as shown on the books of the Corporation.

#### Section 7 Residual Rights.

All rights accruing to the outstanding shares of the Corporation not expressly provided for to the contrary herein shall be vested in the Common Shares.

5. The amendment has been duly authorized as required by Sections 119 & 170 (as applicable) of the Business Corporations Act

*La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la Loi sur les sociétés par actions.*

6. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on

*Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le*

06 - January - 2000

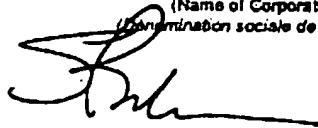
(Day, Month, Year)  
(jour, mois, année)

These articles are signed in duplicate.

*Les présents statuts sont signés en double exemplaire.*

### CHRYSLIS-ITS INCORPORATED

(Name of Corporation)  
(Dénomination sociale de la société)



By: / Par

(Signature)  
(Signature)

Steven Baker

(Description of Office)  
(Fonction)

President and Chief Executive Officer

# Delaware

PAGE 1

*The First State*

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF MERGER, WHICH MERGES:

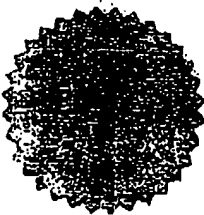
"RAVEN'S ACQUISITION CORP.", A DELAWARE CORPORATION,  
WITH AND INTO "RAINBOW TECHNOLOGIES, INC." UNDER THE NAME OF  
"RAINBOW TECHNOLOGIES, INC.", A CORPORATION ORGANIZED AND  
EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, AS RECEIVED  
AND FILED IN THIS OFFICE THE FIFTEENTH DAY OF MARCH, A.D. 2004,  
AT 2:12 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF  
THE AFORESAID CERTIFICATE OF MERGER IS THE FIFTEENTH DAY OF  
MARCH, A.D. 2004, AT 4:01 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE  
NEW CASTLE COUNTY RECORDER OF DEEDS.

2124882 8100N

040190277



*Harriet Smith Windsor*

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 2988678

DATE: 03-15-04



State of Delaware  
Secretary of State  
Division of Corporations  
Delivered 02:18 PM 03/15/2004  
FILED 02:12 PM 03/15/2004  
SRV 040190277 - 2124882 FILE

**CERTIFICATE OF MERGER  
FOR THE MERGER OF  
RAVENS ACQUISITION CORP. (a Delaware corporation)  
WITH AND INTO  
RAINBOW TECHNOLOGIES, INC. (a Delaware corporation)**

Pursuant to Sections 103 and 251 of the Delaware General Corporation Law, Rainbow Technologies, Inc., a Delaware corporation, which is the surviving corporation in the merger described herein, hereby certifies as follows:

1. The name and state of incorporation of each of the constituent corporations are:
  - a. RAVENS ACQUISITION CORP., a Delaware corporation (hereinafter "Ravens"); and
  - b. RAINBOW TECHNOLOGIES, INC., a Delaware corporation (hereinafter "Rainbow Technologies").
2. An Agreement and Plan of Reorganization, dated October 22, 2003 (the "Agreement and Plan of Reorganization") has been approved, adopted, certified, executed, and acknowledged by each of the constituent corporations in accordance with the provisions of Section 251(c) of the Delaware General Corporation Law.
3. At the effective time of the merger described herein, Ravens shall be merged with and into Rainbow Technologies, and Rainbow Technologies shall be the surviving corporation and the name of the surviving corporation shall be "Rainbow Technologies, Inc."
4. At the effective time of the merger, the Certificate of Incorporation of Rainbow Technologies shall be as set forth in Exhibit A hereto.
5. The executed Agreement and Plan of Reorganization is on file at the principal place of business of the surviving corporation at: 50 Technology Drive, Irvine, California 92618.
6. A copy of the Agreement and Plan of Reorganization will be furnished by Rainbow Technologies, on request and without cost, to any stockholder of any constituent corporation.
7. The Merger shall become effective at 4:01 p.m. Eastern Time on March 15, 2004.

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Merger to be  
duly executed as of the 15th day of March, 2004.

RAINBOW TECHNOLOGIES, INC.

By: Walter Stuebel  
Name: Walter Stuebel  
Title: President

Exhibit A

## CERTIFICATE OF INCORPORATION

OF

## RAINBOW TECHNOLOGIES, INC.

**FIRST:** The name of the corporation is Rainbow Technologies, Inc. (the "Corporation").

**SECOND:** The address of the Corporation's registered office in the State of Delaware is 2711 Centerline Road, Suite 400, Wilmington, Delaware 19808, in the city of Wilmington in the county of New Castle. The name of the registered agent at such address is Corporation Service Company.

**THIRD:** The nature of the business and the purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

**FOURTH:** The total number of shares of all classes of stock which the Corporation shall have authority to issue is one thousand (1,000) shares of common stock, par value \$.01 per share.

**FIFTH:** The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The authorized number of directors of the Corporation shall be fixed from time to time pursuant to a resolution adopted by the Board of Directors.

**SIXTH:**

- A. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including services with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such

indemnitee in connection therewith; provided, however, that, except as provided in Section C of this Article SIXTH with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

- B. The right to indemnification conferred in Section A of this Article SIXTH shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the DGCL requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, services to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section or otherwise. The rights to indemnification and to the advancement of expenses conferred in Sections A and B of this Article SIXTH shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators.
- C. If a claim under Sections A or B of this Article SIXTH is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expenses of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that the indemnitee has not met any applicable standard for indemnification set forth in the DGCL. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or

to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article SIXTH or otherwise shall be on the Corporation.

- D. The rights to indemnification and to the advancement of expenses conferred in this Article SIXTH shall not be exclusive of any other rights that any person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, provision of the Company's bylaws, agreement, or vote of stockholders or disinterested directors.
- E. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or its subsidiary or affiliate, or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.
- F. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation, or any person that is or was serving at the request of the Corporation as an employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, to the fullest extent of the provisions of this Article SIXTH with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

**SEVENTH:** A director of this Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability: (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the DGCL; or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, so as amended. Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

**EIGHTH:** Elections of Directors need not be by written ballot unless the bylaws of the Corporation so provide.

**NINTH:** The Board of Directors shall have the power to adopt, amend or repeal the bylaws of the Corporation.

**EXHIBIT C**

**CERTIFICATE OF MERGER  
FOR THE MERGER OF  
RAVENS ACQUISITION CORP. (a Delaware corporation)  
WITH AND INTO  
RAINBOW TECHNOLOGIES, INC. (a Delaware corporation)**

Pursuant to Sections 103 and 251 of the Delaware General Corporation Law, Rainbow Technologies, Inc., a Delaware corporation, which is the surviving corporation in the merger described herein, hereby certifies as follows:

1. The name and state of incorporation of each of the constituent corporations are:
  - a. RAVENS ACQUISITION CORP., a Delaware corporation (hereinafter "Ravens"); and
  - b. RAINBOW TECHNOLOGIES, INC., a Delaware corporation (hereinafter "Rainbow Technologies").
2. An Agreement and Plan of Reorganization, dated October 22, 2003 (the "Agreement and Plan of Reorganization") has been approved, adopted, certified, executed, and acknowledged by each of the constituent corporations in accordance with the provisions of Section 251(c) of the Delaware General Corporation Law.
3. At the effective time of the merger described herein, Ravens shall be merged with and into Rainbow Technologies, and Rainbow Technologies shall be the surviving corporation and the name of the surviving corporation shall be changed to "Rainbow Technologies Technologies, Inc."
4. At the effective time of the merger, the Certificate of Incorporation of Ravens, attached hereto as Exhibit A, shall be the Certificate of Incorporation of Rainbow Technologies.
5. The executed Agreement and Plan of Reorganization is on file at the principal place of business of the surviving corporation at 50 Technology Drive, Irvine, California 92618.
6. A copy of the Agreement and Plan of Reorganization will be furnished by Rainbow Technologies, on request and without cost, to any stockholder of any constituent corporation.

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Merger to be  
duly executed as of the \_\_\_\_ day of \_\_\_\_\_, 2003.

RAINBOW TECHNOLOGIES, INC.

By: \_\_\_\_\_  
Name  
Title

FROM VENABLE LLP VIENNA VA

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**EXHIBIT A**



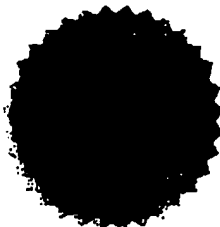
# Delaware

PAGE 1

*The First State*

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "RAVENS ACQUISITION CORP.", FILED IN THIS OFFICE ON THE FIFTEENTH DAY OF OCTOBER, A.D. 2003, AT 3:46 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.



*Harriet Smith Windsor*

Harriet Smith Windsor, Secretary of State

3715779 8100

AUTHENTICATION: 2691975

030663482

DATE: 10-16-03

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State of Delaware  
Secretary of State 0002  
Division of Corporations  
Delivered 03:46 PM 10/15/2003  
FILED 03:46 PM 10/15/2003  
SRV 030663482 - 3715779 FILE

**CERTIFICATE OF INCORPORATION**

**OF**

**RAVENS ACQUISITION CORP.**

**FIRST:** The name of the corporation is Ravens Acquisition Corp. (the "Corporation").

**SECOND:** The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, in the city of Wilmington in the county of New Castle. The name of the registered agent at such address is Corporation Service Company.

**THIRD:** The nature of the business and the purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

**FOURTH:** The total number of shares of all classes of stock which the Corporation shall have authority to issue is one thousand (1,000) shares of common stock, par value \$.01 per share.

**FIFTH:** The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The authorized number of directors of the Corporation shall be fixed from time to time pursuant to a resolution adopted by the Board of Directors.

**SIXTH:** The name and mailing address of the incorporator are Shawn Parish, c/o Venable LLP, 575 7<sup>th</sup> Street, N.W., Washington, D.C. 20004.

**SEVENTH:**

- A.** Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in

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the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Section C of this Article SEVENTH with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

- B. The right to indemnification conferred in Section A of this Article SEVENTH shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the DGCL requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, services to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section or otherwise. The rights to indemnification and to the advancement of expenses conferred in Sections A and B of this Article SEVENTH shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators.
- C. If a claim under Sections A or B of this Article SEVENTH is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expenses of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the DGCL. Neither the failure of the Corporation (including its Board of Directors, independent legal

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counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article SEVENTH or otherwise shall be on the Corporation.

- D. The rights to indemnification and to the advancement of expenses conferred in this Article SEVENTH shall not be exclusive of any other right that any person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, provision of the Company's bylaws, agreement, or vote of stockholders or disinterested directors.
- E. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or its subsidiary or affiliate, or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.
- F. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation, or any person that is or was serving at the request of the Corporation as an employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, to the fullest extent of the provisions of this Article SEVENTH with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

**EIGHTH:** A director of this Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability: (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL; or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL,

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as so amended. Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

**NINTH:** Elections of Directors need not be by written ballot unless the bylaws of the Corporation so provide.

**TENTH:** The Board of Directors shall have the power to adopt, amend or repeal the bylaws of the Corporation.

**IN WITNESS WHEREOF,** the undersigned, being the sole incorporator herein named, for the purpose of forming a Delaware corporation, has executed, signed and acknowledged this Certificate of Incorporation this 14th day of October, 2003.

  
Shawn Parish  
Incorporator

**RAVENS ACQUISITION CORP.****UNANIMOUS WRITTEN CONSENT  
OF INITIAL DIRECTORS OF CORPORATION  
NAMED BY THE INCORPORATOR**

**THE UNDERSIGNED**, pursuant to authority conferred by the General Corporation Law of the State of Delaware, being all of the directors named by the Incorporator of Ravens Acquisition Corp., a Delaware corporation (the "Corporation"), as the initial directors of the Corporation pursuant to the Statement of Organization of the Incorporator of the Corporation, do hereby waive all notice of the time, place and purposes of a meeting of the Board of Directors of the Corporation (the "Board of Directors" or the "Board") and unanimously consent to and adopt the following resolutions and take the following actions, which resolutions and actions shall have the same force and effect as if taken by unanimous affirmative vote at a meeting of the Board duly called and held pursuant to said law:

**(ORGANIZATIONAL MATTERS)**

**RESOLVED**, that upon receipt of a certified copy of the Certificate of Incorporation of the Corporation, the Secretary is hereby directed to file the same, together with this Consent, with the records of the minutes and proceedings of the directors and stockholders of the Corporation; and:

**FURTHER RESOLVED**, that the Bylaws of the Corporation in the form attached hereto as Exhibit A and filed herewith (the "Bylaws") be, and the same hereby are, ratified and adopted as the Bylaws of the Corporation for the regulation and management of the Corporation's affairs; and

**FURTHER RESOLVED**, that the proper officers, representatives and agents of the Corporation are authorized and directed to prepare and deliver to the Secretary of the Corporation the form of stock certificate for the common stock of the Corporation, par value \$0.01 per share (the "Common Stock"), which form shall be attached hereto as Exhibit B and filed herewith and shall be deemed to have been adopted at this meeting; and upon the attachment thereof by the Secretary of the Corporation, the Secretary may certify such form of stock certificate as having been adopted by the Board of Directors at this meeting.

*(ELECTION OF OFFICERS)*

**RESOLVED**, that the Corporation shall have a President, a Secretary and a Treasurer such other officers as may be appointed hereafter from time to time; and

**FURTHER RESOLVED**, that the following persons are hereby elected to the offices indicated opposite their respective names, to hold office until the first annual meeting of the stockholders and thereafter until their successors are elected and qualify, unless otherwise determined by the Board of Directors:

|            |                   |
|------------|-------------------|
| President: | Anthony A. Caputo |
| Treasurer: | Carole D. Argo    |
| Secretary: | Carole D. Argo    |

*(AUTHORIZATION AND ISSUANCE OF STOCK)*

**RESOLVED**, that the Board of Directors does hereby acknowledge receipt of the offer from SafeNet, Inc., a Delaware corporation ("SafeNet"), to subscribe for One Thousand (1,000) shares of the Corporation's Common Stock, for an aggregate cash consideration of \$10.00; and

**FURTHER RESOLVED**, that the Board has determined that the above-indicated consideration to be received from SafeNet is adequate and sufficient; and

**FURTHER RESOLVED**, that the Corporation accepts the offer of subscription submitted by SafeNet and authorizes the appropriate officers to issue shares of its fully paid and non-assessable Common Stock to SafeNet for the number of shares and for the cash consideration above listed; and

**FURTHER RESOLVED**, that the appropriate officers be, and hereby are, authorized, empowered and directed for, in the name of and on behalf of the Corporation, to execute and deliver all such documents, certificates or instruments, and to take all such further actions as they, with the advice of counsel, may deem necessary to carry out the foregoing resolutions and fully to effectuate the purposes and intents thereof, the taking of such action by such officers to be conclusive evidence of such authority; and

**FURTHER RESOLVED**, that all the certificates for such shares of Common Stock shall bear a legend in substantially the following form (as well as any other legend required by applicable law):

The shares of Common Stock evidenced by this certificate have not been registered under the Securities Act of 1933, as amended, or under the applicable securities act of any state, and may not be sold, transferred or otherwise disposed of to any person, including, without limitation, a pledgee or donee, in contravention of such acts without an opinion of counsel, satisfactory to counsel to the Corporation, that such sale, transfer or disposition will not violate the registration requirements of such acts.

**(BANKING RESOLUTIONS)**

**RESOLVED**, that the Corporation open and maintain such bank accounts at those financial institutions (each, a "Bank") deemed appropriate by the Chairman, and that the Chairman is authorized to establish, or cause the establishment of, such banking and depository arrangements for the Corporation as may be deemed necessary or desirable and in connection therewith to execute such agreements or to delegate to others the power to execute such agreements as may be necessary or desirable; and

**FURTHER RESOLVED**, that if any Bank requests or requires a particular form of authorizing resolution or resolutions in order to establish a banking or depository arrangement for the Corporation, such resolution or resolutions shall be deemed to have been adopted at this meeting; and upon the insertion thereof by the Secretary of the Corporation in the Minute Book of the Corporation, the Secretary may certify such resolution or resolutions as having been adopted by the Board of Directors at this meeting; and

**FURTHER RESOLVED**, that the Secretary of the Corporation is hereby directed to deliver to the Bank a certified copy of these resolutions and the names and signatures of the persons designated by the Chairman as being authorized to sign for the Corporation.

**(EMPLOYER IDENTIFICATION NUMBER)**

**RESOLVED**, that on behalf of the Corporation, the proper officers and representatives of the Corporation are authorized and directed to execute and file with the Internal Revenue Service an Application for Employer Identification Number on Internal Revenue Service Form SS-4.



*(ACCOUNTING AND FINANCIAL MATTERS)*

**RESOLVED**, that the proper officers be, and they hereby are, authorized to pay all accounting and legal fees and expenses incident to and necessary for the organization of the Corporation.

*(FURTHER AUTHORIZATION FOR ORGANIZATION)*

**RESOLVED**, that the officers of the Corporation, or any of them, are hereby authorized, empowered and directed to take any and all necessary or appropriate action, including the expenditure of funds, to complete the organization of the Corporation fully and expeditiously; and

**FURTHER RESOLVED**, that the officers of the Corporation, or any of them, are hereby authorized to execute and deliver any document or instrument and to take any action they deem necessary, desirable or appropriate to accomplish the purposes of the foregoing resolutions.

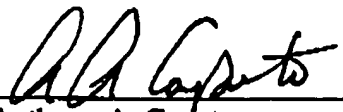
*(RATIFICATION OF ACTIONS PRIOR TO THE ORGANIZATIONAL MEETING)*

**RESOLVED**, that all actions of officers, representatives and agents of SafeNet taken on behalf of SafeNet and the Corporation prior to the effective date of this consent and in connection with, and in furtherance of, any of the foregoing resolutions be, and they hereby are, approved, ratified and confirmed; and

**FURTHER RESOLVED**, that this Consent may be executed in two or more counterparts, each of which when so executed shall be deemed to be an original, but all of which counterparts together shall constitute one and the same consent.

**THIS WRITTEN CONSENT**, signed by all the members of the Board of Directors of the Corporation named by the Incorporator pursuant to the Statement of Organization of the Incorporator, shall be effective as of the 15<sup>th</sup> day of October, 2003 and shall be filed with the minutes of the Board.

Date: October 15, 2003

  
Name: Anthony A. Caputo

Date: October 15, 2003

  
Name: Carole D. Argo

**JOINT WRITTEN CONSENT OF THE  
BOARD OF DIRECTORS AND THE SOLE STOCKHOLDER  
OF RAVENS ACQUISITION CORP.**

**Effective as of October 15, 2003**

Pursuant to authority conferred by Sections 141 and 228 of the Delaware General Corporation Law, the undersigned, being all of the directors and the sole stockholder of Ravens Acquisition Corp., a Delaware corporation (the "Corporation"), do hereby waive all notice of the time, place and purposes of a meeting of the Board of Directors of the Corporation (the "Board of Directors" or the "Board") and of the sole stockholder of the Corporation (the "Sole Stockholder") and, in each case, consent to and adopt the following resolutions and take the following actions, which resolutions and actions shall have the same force and effect as if taken by unanimous affirmative vote at a meeting of the Board and the Sole Stockholder duly called and held pursuant to said law:

**WHEREAS**, it is deemed advisable by the Board that the Corporation enter into an Agreement and Plan of Reorganization with Rainbow Technologies, Inc., a Delaware corporation ("Rainbow"), and those certain other parties identified therein (the "Agreement"), pursuant to which the Corporation shall be merged with and into Rainbow, which shall be the surviving corporation (the "Merger"); and

**WHEREAS**, the Board has recommended that the Sole Stockholder approve the Merger and the Agreement.

**NOW, THEREFORE, BE IT**

**RESOLVED**, that the Merger and the Agreement, in the form previously presented to the Board, are hereby approved, adopted, authorized and agreed to in all respects, with such changes as the proper officers of the Corporation may deem necessary or desirable; and

**FURTHER RESOLVED**, that the Corporation shall effect the Merger in accordance with the Agreement and the General Corporation Law of the State of Delaware; and

**FURTHER RESOLVED**, that the officers of the Corporation be, and they hereby are, authorized, empowered and directed to execute and deliver the Agreement, and such other documents and agreements as such officers may deem appropriate in connection with the Merger, in the name of the Corporation, and to make such changes or additions to the aforesaid Agreement and such other documents and agreements as such officers may deem to be advisable and in the best interests of the Corporation; and

**FURTHER RESOLVED**, that following the execution of the Agreement by the Corporation, the officers of the Corporation be, and they hereby are, authorized, empowered and directed to prepare and file a certificate of merger in connection with the Merger and the Agreement with the Secretary of State of the State of Delaware, in accordance with Section 251 of the General Corporation Law of the State of Delaware; and

**FURTHER RESOLVED**, that the officers of the Corporation be, and they hereby are, authorized, empowered and directed to do and perform all such further acts and things, and to execute and deliver in the name of the Corporation all such further certificates, instruments or other documents as in their judgment shall be necessary or advisable to effectuate the intent and purposes of the foregoing resolutions, and any or all of the transactions contemplated therein; and


**FURTHER RESOLVED**, that this Consent may be executed in two or more counterparts, each of which when so executed shall be deemed to be an original, but all of which counterparts together shall constitute one and the same consent.

**DIRECTORS:**

Anthony A. Caputo

Carol D. Argo  
Carol D. Argo

**SAFENET, INC.**

By:   
Anthony A. Caputo  
Chief Executive Officer

**STATEMENT OF ORGANIZATION  
OF THE INCORPORATOR  
OF RAVENS ACQUISITION CORP.**

**THE UNDERSIGNED**, incorporator of Ravens Acquisition Corp., a Delaware corporation (the "Company"), hereby certifies pursuant to Section 108 of the General Corporation Law of Delaware:

1. The certificate of incorporation of the Company was filed with the Secretary of State of Delaware and duly recorded in the Office of the Recorder of New Castle County on October 15, 2003.

2. The bylaws annexed hereto have been adopted by me as and for the bylaws of the Company.

3. The following named persons have been elected by me as the directors of the Company to hold office until the first annual meeting of stockholders of the Company or until their successors are elected and qualify:

Anthony A. Caputo  
Carole D. Argo

**IN WITNESS WHEREOF**, I have signed this instrument effective as of the 15<sup>th</sup> day of October, 2003.



\_\_\_\_\_  
Shawn Parish  
Incorporator